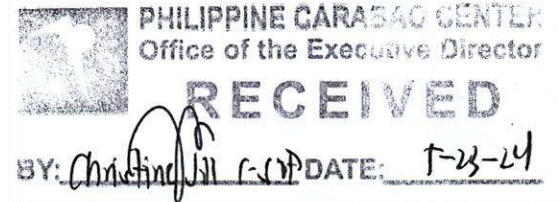




REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

May 20, 2024

DR. LIZA G. BATTAD
Executive Director III
Philippine Carabao Center
Science City of Muñoz, Nueva Ecija



Dear **Director Battad**:

We are pleased to transmit the Consolidated Annual Audit Report (CAAR) on the audit of the Philippine Carabao Center (PCC) for the Calendar Year 2023 in compliance with Section 43 of the Government Auditing Code of the Philippines (P.D. No.1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that they provided a reasonable basis for the audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements of the PCC in the Independent Auditor's Report in Part I of the report.

The significant audit observations and recommendations requiring immediate actions are as follows:

1. Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) non-derecognition of disposed animals totaling ₱22,804,856.00; (b) unreconciled variance of ₱5,788,850.00 between Accounting and Property records; (c) unsubstantiated derecognition of dispersed and culled animals totaling ₱2,330,050.00; (d) non-recognition of 63 heads of buffaloes valued at ₱579,075.00; (e) non-revaluation of animals resulting to understatement of Biological Assets and Accumulated Surplus/(Deficit) accounts by ₱370,625.00; and (f) non-preparation of Quarterly Report of Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC), inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Advise the Accounting Section of PCC at National Headquarters and Gene Pool (NHGP), Central Luzon State University (CLSU), Central Mindanao University (CMU), Cagayan State University (CSU), La Carlota Stock Farm (LCSF),

Mindanao Livestock Production Center (MLPC) and University of the Philippines-Los Baños (UPLB) to derecognize from their respective records the value of animals that were either dead, sold, slaughtered or dispersed upon securing the necessary supporting documents;

- b) Direct the PCC at UPLB to conduct reconciliation to eliminate the variance amounting to ₱5,788,850.00 between Accounting and Property records;
 - c) Instruct the Accounting Section of PCC at NHGP and CLSU to secure and submit the necessary documents to support derecognition of animals with aggregate book value of ₱2,330,050.00;
 - d) Require the Accounting Section of PCC at CLSU, CMU and Ubay Stock Farm (USF) to prepare necessary adjusting entries to recognize the value of 63 heads buffaloes amounting to ₱579,075.00;
 - e) Advise the Accounting and Property Units of PCC at CLSU and USF to consistently apply the valuation policy established on Biological Assets to eliminate undervaluation of animals; and
 - f) Instruct the Property Unit/Farm Supervisors of PCC at NHGP and USF to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA).
2. Deficiencies were noted in the implementation of the Carabao-based Business Improvement Network (CBIN) project such as (a) non-compliance with the Technical Specifications on the delivered buffaloes valued at ₱6,077,700.00; (b) non-utilization of various structures, machinery and equipment with aggregate cost of ₱11,939,912.83; and (c) non-compliance with some provisions of the Diary Buffalo Dispersal Agreement (DBDA), thus, potentially posing challenges on the sustainability of the project and the enjoyment of optimum benefits by the beneficiaries thereof.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Instruct the CBIN Project Coordinator of PCC at CLSU and Mariano Marcos State University (MMSU) to (i) initiate discussions among the concerned Agency officials and stakeholders for the procurement of animals that are ready for breeding in accordance with the Technical Specifications stated in the procurement documents; and (ii) enjoin project staffs at the field for the provision of technical support towards enhancing breeding capability of animals;
- b) Direct the Project Coordinator of PCC at Don Mariano Marcos Memorial State University (DMMMSU), LCSF and MMSU to (i) exercise prudence in selecting facilities/equipment for its programs; and; (ii) formulate plans to utilize the processing area and equipment in order not to put into waste the resources invested for the purpose;
- c) Advise the Project Coordinator of PCC at Visayas State University (VSU) to conduct the necessary seminars and trainings for the farmer-beneficiaries such

- as social preparation, proper handling and milking of buffaloes, recordkeeping and marketing;
- d) Direct the Project Coordinator of PCC at CSU to (i) enforce compliance by the Cooperatives with their obligations to execute a Memorandum of Agreement (MOA) with farmer-members; and (ii) implement viable solutions or remedies to address hard breeders/unproductive buffaloes; and
 - e) Immediately issue a directive to the concerned Cooperatives under the PCC at MMSU and VSU requiring them to (i) provide adequate housing and forage area; (ii) secure insurance coverage of dairy buffaloes; (iii) maintain Individual Animal Record or reports on buffalo mortality; and (iv) strictly comply with their obligations under the DBDA to avoid conditions which would warrant the repossession of the dispersed buffaloes and termination of the Agreement.

The other audit observations, together with the recommended courses of action, are discussed in detail in Part II of the report. These, along with the prior year's recommendations not yet acted upon and included in Part III of the report, were discussed with the officials and staff of the Agency during the Exit Conference on April 24, 2024.

We request that the recommended remedial measures be immediately implemented, and we will appreciate being informed of the actions taken thereon by submitting within 60 days from receipt hereof, the duly accomplished **Agency Action Plan and Status of Implementation (AAPSI)** form, herein attached pursuant to Section 99 of the General Provision of the General Appropriations Act for Fiscal Year (FY) 2023.

We appreciate the invaluable support and cooperation extended to our Audit Team by the officials and staff of the PCC.

Very truly yours,

COMMISSION ON AUDIT

By:


OMAR S. ROQUE
Regional Director

*cc: President of the Republic of the Philippines
Vice President of the Republic of the Philippines
President of the Senate
Speaker of the House of the Representatives
Chairperson – Senate Finance Committee
Chairperson - Appropriations Committee
Secretary of the Department of Budget and Management
Presidential Management Staff, Office of the President
The Assistant Commissioner, NGS, COA, Quezon City
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

CONSOLIDATED ANNUAL AUDIT REPORT

on the

PHILIPPINE CARABAO CENTER

For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

1. INTRODUCTION

The Philippine Carabao Center (PCC) is one of the attached agencies of the Department of Agriculture (DA), created by virtue of the Republic Act (R.A.) No. 7307, otherwise known as the Philippine Carabao Act of 1992, to institutionalize the Carabao Development Program of the government. Specifically, PCC was operationalized on April 1, 1993 to conserve, propagate, and promote the carabao as a source of draft animal power, meat, milk and hide for the benefit of rural farmers particularly smallholder farmers and Comprehensive Agrarian Reform Program (CARP) beneficiaries through carabao genetic improvement, technology development and dissemination, and establishment of carabao-based enterprises, thus, ensuring higher income and better nutrition of rural farming communities. It has a network of 12 centers strategically situated in Luzon, Visayas, and Mindanao. Likewise, the PCC is the national lead agency for livestock biotechnology research and development in the DA per Administrative Order (A.O.) No. 9, series of 2008.

The PCC is headed by Executive Director III Liza G. Battad. She is being supported by Deputy Executive Director for Administration and Finance Caro B. Salces, OIC-Deputy Executive Director for Production and Research, Claro N. Mingala, 12 Center Directors, and 164 rank and file employees.

2. FINANCIAL HIGHLIGHTS

The Agency's financial condition, results of operations and sources and application of funds for CY 2023 with comparative figures for CY 2022 are shown below:

	2023	2022	Increase (Decrease)	
			Amount	%
<i>Comparative Financial Position</i>				
Assets	₱2,785,860,766.26	₱2,286,768,881.24	₱499,091,885.02	21.83%
Liabilities	414,121,136.48	454,693,202.61	(40,572,066.13)	(8.92)%
Accumulated Surplus/(Deficit)	2,371,739,629.78	1,832,075,678.63	539,663,951.15	29.46%
<i>Comparative Results of Operations</i>				
Revenue and Assistance/Subsidy	1,510,415,857.85	1,185,463,557.26	324,952,300.59	27.41%
Expenses	942,108,183.84	819,185,390.26	122,922,703.58	15.01%
Surplus/(Deficit)	568,307,674.01	366,278,167.00	202,029,597.01	55.16%

3. SCOPE OF AUDIT

The audit covered the financial transactions and operations of PCC for the year ended December 31, 2023. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the year ended December 31, 2023. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures, specifically the

2023 audit foci and thrusts, in accordance with the Unnumbered Memorandum dated September 27, 2023, issued by the Regional Director of COA Regional Office No. III, Omar S. Roque, concerning the Specific Audit Instructions (SAIs) in the conduct of the CY 2023 Financial and Other Significant Audit Areas, pursuant to COA Memorandum No. 2016-023 dated November 14, 2016.

4. INDEPENDENT AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Philippine Carabao Center (PCC) as of December 31, 2023 owing to (a) non-derecognition of disposed animals totaling ₱22,804,856.00; (b) non-recognition of Intangible Assets totaling ₱11,001,634.09; and (c) non-derecognition of collected receivables totaling ₱7,091,223.00, resulting to misstatement of affected accounts in the financial statements, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Advise the Accounting Section of PCC at National Headquarters and Gene Pool (NHGP), Central Luzon State University (CLSU), Central Mindanao University (CMU), Cagayan State University (CSU), La Carlota Stock Farm (LCSF), Mindanao Livestock Production Center (MLPC) and University of the Philippines- Los Baños (UPLB) to derecognize from their respective records the value of animals that were either dead, sold, slaughtered or dispersed upon securing the necessary supporting documents;
- b) Direct the Accountant of PCC-NHGP to check the related Contract Agreements and collaborate with the Information and Communication Technology Section (ICTS) on the status of software or website development including analysis of research and development costs for proper recognition in books of accounts; and
- c) Instruct the Bookkeeper of PCC at Mariano Marcos State University (MMSU) to draw necessary adjusting entries for the derecognition of receivables totaling ₱7,091,223.00 already collected from customers.

5. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the other significant audit observations with their recommendations, the details of which are presented in Part II of this report.

1. Deficiencies were noted on the accounting and management of Property, Plant and Equipment (PPE) accounts with carrying amount totaling ₱930,179,698.69 of the PCC Regional Centers at NHGP, CLSU, Don Mariano Marcos Memorial State University (DMMMSU), LCSF, MLPC, MMSU, UPLB, University of Southern Mindanao (USM) and West Visayas State University (WVSU) such as (a) non-recognition of PPE items totaling ₱2,322,616.99; (b) incorrect provision of depreciation for PPE items resulting to understatement of PPE accounts by ₱2,466,307.85; (c) non-derecognition of donated or transferred equipment and vehicles totaling ₱1,214,400.00; (d) uninsured properties totaling ₱76,900,376.31;

(e) existence of idle/unutilized structures amounting to ₱6,450,582.13; and (f) non-disposal of unserviceable properties valued at ₱6,634,247.84, which is not in harmony with the standards called for under certain provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, COA Circular No. 2020-006 dated January 31, 2020 and the Property Insurance Law.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Require the Accounting Unit of the PCC at NHGP, DMMMSU, LCSF and UPLB to recognize the corresponding value of equipment and buildings totaling ₱2,322,616.99;
 - b) Direct the Accounting Unit of the PCC at NHGP and UPLB to (i) revisit the Schedule of PPEs to ensure the accuracy of recognized depreciation for each PPE item; and (2) draw the necessary adjusting entries in the books of accounts;
 - c) Advise the Accounting Unit of the PCC at CLSU and WVSU to draw necessary adjusting entry to derecognize the value of donated or transferred equipment and vehicles amounting to ₱1,214,400.00;
 - d) Instruct the Property Office of PCC at MMSU and UPLB to include in the Property Inventory Form (PIF) the insurable properties totaling ₱76,900,376.31 and submit the same to the GSIS and to the Office of the Resident Auditor, not later than April 30 of each year, pursuant to COA Circular No. 2018-002;
 - e) Advise the Center Directors of PCC at NHGP and DMMMSU to formulate plan of actions to utilize idle facilities and structures in order not to put into waste the resources invested for the purpose; and
 - f) Instruct the Property Unit and Disposal Committee of the PCC at NHGP, CLSU, LCSF, MLPC, UPLB and USM to (i) expedite the request for the timely disposal of unserviceable PPE items to prevent further loss and deterioration of the same; and (ii) prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) for the said unserviceable properties carried in the PPE accounts and submit the same together with necessary supporting documents for review and verification of the Audit Team.
2. Deficiencies in inventory management were observed during the review of control records and validation of the Report on the Physical Count of Inventories (RPCI) of the PCC NHGP and Regional Centers at CMU and MMSU as of December 31, 2023 such as (a) non-recognition of inventories and animal stocks totaling ₱4,376,578.81; (b) unreconciled variance of ₱3,235,858.93 noted between the Accounting records and the RPCI; and (c) existence of expired inventories totaling ₱577,425.00, inconsistent with the related provisions under the GAM for NGAs, Volumes I and II and the cardinal principles of internal control.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Advise the Accounting Unit of PCC at NHGP and MMSU to (i) see to it that purchases of inventories shall be accounted under the Perpetual Inventory Method; and (ii) prepare the appropriate adjusting entries to reflect the unrecognized supplies and animal stocks;
 - b) Direct the Accounting and Property Units of the PCC at NHGP and CMU to reconcile the balances of their respective records on a periodic basis; and
 - c) Instruct the Supply Officer of the PCC at MMSU to ensure that the quantity of feed concentrates for procurement must be in accordance with the expected monthly requirements of the Center to avoid expiration of feed supply for animals.
3. The unexpended or unobligated balances of fund transfers totaling ₱12,469,699.70 were not returned to the respective Source Agencies (SAs) or the Bureau of the Treasury (BTr), inconsistent with Section 63(g), Chapter 6 of the GAM for NGAs, Volume I and National Budget Circular (NBC) No. 587 dated January 3, 2022.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Instruct the Accounting Unit of the PCC-NHGP to (i) strictly comply with Section 63 of the GAM for NGAs, Volume I, and the terms and conditions of the Memorandum of Agreement (MOA); (ii) expedite the updating and reconciliation of Accounting and Budget records to facilitate the preparation of liquidation reports; (iii) coordinate with the concerned Project Leaders for the submission of Project Terminal Reports; and (iv) immediately remit the unexpended fund balances of completed projects to Source Agencies (SAs);
 - b) Advise the Accounting Unit of the PCC at MMSU to facilitate reversion to the Bureau of the Treasury (BTr) of unused/unutilized balance of funds received for the implementation of the Milk Feeding Program (MFP) amounting to ₱353,488.16; and
 - c) Direct the Accountant and Bookkeeper of the PCC at MLPC to facilitate the reversion of unobligated funds totaling ₱1,766,610.00 to the Unappropriated Surplus of the General Fund pursuant to National Budget Circular No. 587 dated January 3, 2022.
4. Twenty infrastructure projects with a total contract amount of ₱46,455,125.37 were not completed within the specified contract period due to inadequate monitoring of their implementation, inconsistent with Items 8 and 9 of Annex E of the 2016 Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184 thus, preventing Management from ensuring the efficiency of operations and depriving the intended beneficiaries of the timely utilization of the projects.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Instruct the Project Monitoring Committee (PMC) to strictly monitor the progress of the construction of all Dairy Processing Plants and Product Outlets;
 - b) Submit pertinent documents showing the actions taken against the defaulting Contractors including the approved time extensions, suspensions and variation orders or other related documents that will determine that the projects are not delayed. Otherwise, impose liquidated damages against the contractors for every day of delay and sanctions set forth under Item 9 of Annex E of the 2016 RIRR of RA No. 9184 (Updated as of July 2022); and
 - c) Adhere strictly to the guidelines in the suspension of construction works and granting of time extension for infrastructure projects provided under Annex E of the 2016 RIRR of RA No. 9184.
5. Deficiencies were noted in the implementation of the Carabao-based Business Improvement Network (CBIN) project such as (a) non-compliance with the Technical Specifications on the delivered buffaloes valued at ₱6,077,700.00; (b) non-utilization of various structures, machinery and equipment with aggregate cost of ₱11,939,912.83; and (c) non-compliance with some provisions of the Dairy Buffalo Dispersal Agreement (DBDA), thus, potentially posing challenges on the sustainability of the project and the enjoyment of optimum benefits by the beneficiaries thereof.

We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) Instruct the CBIN Project Coordinator of PCC at CLSU and MMSU to (i) initiate discussions among the concerned Agency officials and stakeholders for the procurement of animals that are ready for breeding in accordance with the Technical Specifications stated in the procurement documents; and (ii) enjoin project staffs at the field for the provision of technical support towards enhancing breeding capability of animals;
- b) Direct the Project Coordinator of PCC at DMMMSU, LCSF and MMSU to (i) exercise prudence in selecting facilities/equipment for its programs; and; (ii) formulate plans to utilize the processing area and equipment in order not to put into waste the resources invested for the purpose;
- c) Advise the Project Coordinator of PCC at Visayas State University (VSU) to conduct the necessary seminars and trainings for the farmer-beneficiaries such as social preparation, proper handling and milking of buffaloes, recordkeeping and marketing;
- d) Direct the Project Coordinator of PCC at CSU to (i) enforce compliance by the Cooperatives with their obligations to execute a MOA with farmer-members; and

- (ii) implement viable solutions or remedies to address hard breeders/unproductive buffaloes; and
- e) Immediately issue a directive to the concerned Cooperatives under the PCC at MMSU and VSU requiring them to:
- (i) provide adequate housing and forage area;
 - (ii) secure insurance coverage of dairy buffaloes;
 - (iii) maintain Individual Animal Record or reports on buffalo mortality; and
 - (iv) strictly comply with their obligations under the DBDA to avoid conditions which would warrant the repossession of the dispersed buffaloes and termination of the Agreement.

6. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES AT YEAR-END

The PCC-NHGP and eight Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2023. However, the Regional Centers at CMU, DMMMSU, MLPC and Ubay Stock Farm (USF) had outstanding suspensions totaling ₱16,185,926.51 and audit disallowances of ₱104,225.87 as reflected in the submitted Management Letters (MLs).

7. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 75 prior years' audit recommendations embodied in the CY 2022 Consolidated Annual Audit Report (CAAR), 49 were fully implemented and 26 were not implemented.

TABLE OF CONTENTS

	Page
PART I - AUDITED FINANCIAL STATEMENTS	
- Independent Auditor's Report	1
- Statement of Management's Responsibility for Financial Statements	4
- Statement of Financial Position	5
- Statement of Financial Performance	6
- Statement of Changes in Net Assets/Equity	7
- Statement of Cash Flows	8
- Statement of Comparison of Budget and Actual Amounts	9
- Notes to Financial Statements	10
PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS	33
PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS	106

PART I

AUDITED FINANCIAL STATEMENTS

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

DR. LIZA G. BATTAD

Executive Director III
Philippine Carabao Center
Science City of Muñoz, Nueva Ecija

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Philippine Carabao Center (PCC), which comprise the Statement of Financial Position as of December 31, 2023, 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 effects of the matter 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 PCC as at December 31, 2023, and its financial performance, its cash flows, and its statement of comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs).

Bases for Opinion

As discussed in Part II of this Report, a qualified opinion on the fairness of presentation of the financial statements was rendered owing to (a) non-derecognition of disposed animals totaling ₱22,804,856.00; (b) non-recognition of Intangible Assets totaling ₱11,001,634.09; and (c) non-derecognition of collected receivables totaling ₱7,091,223.00, resulting to misstatement of affected accounts in the financial statements, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

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 agency in accordance with the Code of Ethics for Government Auditors (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.

Key Audit Matters

Except for the matters described in the *Bases for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

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 misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 Agency'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 Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on 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 Agency 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.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COMMISSION ON AUDIT


TERESITA C. GUEVARRA
Supervising Auditor

April 29, 2024





Department of Agriculture
PHILIPPINE CARABAO CENTER
CERTIFIED: ISO 9001 | ISO 14001 | ISO 45001

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine Carabao Center is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2023 and the related Statement of Financial Performance, and Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with International Public Sector Accounting Standards 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 to 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.


CHERRY PEARL C. RIVERA
Accountant III
Date: Feb. 13, 2024


LIZA G. BAFAD, PhD
Executive Director III
Date: Feb. 13, 2024



PHILIPPINE CARABAO CENTER
STATEMENT OF FINANCIAL POSITION
As of December 31, 2023 and 2022
(In Philippine Peso)

	<i>Notes</i>	2023	2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.3, 5	1,246,261,715.84	989,790,623.99
Receivables	6	107,357,091.25	109,667,376.99
Inventories	3.4, 7	62,459,452.10	64,989,637.79
Other Current Assets	11	24,261,310.11	6,957,857.08
Total Current Assets		1,440,339,569.30	1,171,405,495.85
Non-Current Assets			
Property, Plant and Equipment, Net	3.5, 8	1,141,588,193.52	943,401,491.95
Intangible Assets	9	6,747,096.67	5,601,596.67
Biological Assets	10	196,820,279.50	165,669,619.50
Other Non-Current Assets	11	365,627.27	690,677.27
Total Non-Current Assets		1,345,521,196.96	1,115,363,385.39
Total Assets		2,785,860,766.26	2,286,768,881.24
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	60,685,427.85	74,220,735.95
Inter-Agency Payables	13	249,421,924.29	278,433,710.36
Trust Liabilities	14	21,376,091.36	9,854,595.34
Deferred Credits/Unearned Income	15	332,820.00	0.00
Other Payables	16	7,458,258.83	5,586,012.28
Total Current Liabilities		339,274,522.33	368,095,053.93
Non-Current Liabilities			
Trust Liabilities	14	2,308,509.45	3,891,910.27
Deferred Credits/Unearned Income	15	72,538,104.70	82,706,238.41
Total Non-Current Liabilities		74,846,614.15	86,598,148.68
Total Liabilities		414,121,136.48	454,693,202.61
Total Assets Less Total Liabilities		2,371,739,629.78	1,832,075,678.63
NET ASSETS/EQUITY			
Accumulated Surplus/(Deficit)		2,371,739,629.78	1,832,075,678.63
Total Net Assets/Equity		2,371,739,629.78	1,832,075,678.63

The notes on pages 10 to 30 form part of these financial statements.

PHILIPPINE CARABAO CENTER
STATEMENT OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	<i>Notes</i>	2023	2022
Revenue			
Service and Business Income	17	163,513,022.96	174,599,761.77
Gains	18	53,869,353.22	47,913,772.45
Total Revenue		217,382,376.18	222,513,534.22
Less: Current Operating Expenses			
Personnel Services	19	162,187,408.27	164,836,719.15
Maintenance and Other Operating Expenses	20	647,284,970.37	527,841,543.78
Non-Cash Expenses	21	129,193,690.11	124,338,763.10
Total Current Operating Expenses		938,666,068.75	817,017,026.03
Surplus/(Deficit) from Current Operations		(721,283,692.57)	(594,503,491.81)
Net Financial Assistance/Subsidy	22	1,293,033,481.67	962,950,023.04
Gains	23.1	353,480.58	119,700.00
Losses	23.2	(3,795,595.67)	(2,288,064.23)
Surplus/(Deficit) for the period		568,307,674.01	366,278,167.00

The notes on pages 10 to 30 form part of these financial statements.

PHILIPPINE CARABAO CENTER
STATEMENT OF CHANGES IN NET ASSETS/ EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	2023	2022
Balance at January 1	1,832,075,678.63	1,592,862,583.11
Add/(Deduct):		
Changes in accounting policy	0.00	(13,617,855.34)
Restated balance	1,832,075,678.63	1,579,244,727.77
Add (Deduct):		
Changes in Net Assets/Equity for the		
Calendar Year		
Surplus/(Deficit) for the period	568,307,674.01	366,278,167.00
Adjustment of net revenue recognized		
directly in net assets/equity	(7,239,074.31)	(5,808,796.99)
Total recognized revenue and expense		
for the period	2,393,144,278.33	1,939,714,097.78
Others	(21,404,648.55)	(107,638,419.15)
Balance at December 31	2,371,739,629.78	1,832,075,678.63

The notes on pages 10 to 30 form part of these financial statements.

PHILIPPINE CARABAO CENTER
STATEMENT OF CASH FLOWS
As of December 31, 2023 and 2022
(In Philippine Peso)

	<i>Note</i>	2023	2022
Cash Flows from Operating Activities			
Cash Inflows			
Receipt of Notice of Cash Allocation (NCA)		1,369,204,340.05	1,169,399,501.73
Collection of Income/Revenues		157,892,100.09	155,480,852.88
Receipt of Inter-Agency Fund Transfers		215,250,808.56	750,075,845.15
Trust Receipts		3,867,421.39	1,998,760.18
Other Receipts		1,565,837.91	536,393.31
Total Cash Inflows		1,747,780,508.00	2,077,491,353.25
Cash Outflows			
Remittance to National Treasury		7,660,102.75	2,480,746.89
Payment for Expenses		635,048,571.34	553,980,536.59
Payment of Inventories		50,227,064.49	65,001,637.79
Purchase of Consumable Biological Assets		101,955,853.58	42,542,240.00
Grant of Cash Advances		178,192.00	281,060.75
Prepayments		5,989,020.82	5,440,466.47
Payment of Accounts Payable		66,237,015.57	92,222,658.08
Remittance of Personnel Benefit Contributions and Mandatory Deductions		95,610,960.96	101,695,866.17
Release of Inter-Agency Fund Transfers		81,462.62	2,442,822.64
Other Disbursements		247,331,120.58	1,003,084,305.28
Reversal of Unutilized NCA		27,761,194.88	188,540,647.23
Total Cash Outflows		1,238,080,559.59	2,057,712,987.89
Net Cash Provided by Operating Activities		509,699,948.41	19,778,365.36
Cash Flows from Investing Activities			
Cash Outflows			
Purchase/Construction of PPE		253,228,856.56	94,711,129.49
Total Cash Outflows		253,228,856.56	94,711,129.49
Net Cash Used in Investing Activities		(253,228,856.56)	(94,711,129.49)
Increase (Decrease) in Cash and Cash			
Equivalents		256,471,091.85	(74,932,764.13)
Cash and Cash Equivalents, January 1	5	989,790,623.99	1,064,723,388.12
Cash and Cash Equivalents, December 31	5	1,246,261,715.84	989,790,623.99

The notes on pages 10 to 30 form part of these financial statements.

PHILIPPINE CARABAO CENTER
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2023
(In Philippine Peso)

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference, Final Budget and Actual
	Original	Final		
<i>Notes</i>				
RECEIPTS				
Others	1,629,000.00	1,629,000.00	2,304,889.12	(675,889.12)
Total Receipts	1,629,000.00	1,629,000.00	2,304,889.12	(675,889.12)
PAYMENTS				
Personnel Services	136,082,000.00	162,215,692.00	160,954,360.88	1,261,331.12
Maintenance and Other				
Operating Expenses	564,668,457.76	598,612,955.32	542,941,392.42	55,671,562.90
Financial Expenses	0.00	0.00	0.00	0.00
Capital Outlay	688,933,400.00	525,450,300.01	464,141,356.45	61,308,943.56
Total Payments	1,389,683,857.76	1,286,278,947.33	1,168,037,109.75	118,241,837.58
NET RECEIPTS/PAYMENTS	(1,388,054,857.76)	(1,284,649,947.33)	(1,165,732,220.63)	(118,917,726.70)

The notes on pages 10 to 30 form part of these financial statements.

PHILIPPINE CARABAO CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION / AGENCY PROFILE

The consolidated financial statements of the Philippine Carabao Center (PCC) for the year ended December 31, 2023 were authorized for issue on February 13, 2024 as shown in the Statement of Management Responsibility for Financial Statements signed by Dr. Liza G. Battad, Executive Director of PCC.

- a. The PCC, an attached agency of the Department of Agriculture (DA), was created by virtue of Republic Act No. 7307, otherwise known as the Philippine Carabao Act, in 1992. PCC become operational in 1993 and institutionalized the Carabao Development Program. The Agency's registered office is in Science City of Muñoz, Nueva Ecija Philippines.
- b. The PCC is mandated to conserve, propagate, and promote the carabao as a source of draft animal power, meat, milk and hide to benefit the rural farmers, particularly smallholder-farmers and CARP beneficiaries.
- c. **Vision.** To become a premier research and development institution propelling sustainable growth of the livestock industry.
- d. **Mission.** Improve the general well-being and competitiveness of the livestock industry stakeholders through animal biotechnology and technology development, technology dissemination and knowledge resource management, active private sector participation, livestock-based enterprises, and policy reforms to sustain development of livestock enterprises, thus ensuring socio-economic empowerment for nation building.
- e. PCC is guided by its newly implemented 2020-2024 Medium-Term Strategic Plan, which is also known as VIPPS (Value Creation for Improved Productivity, Profitability, and Sustainability). We envision to have a robust Carabao Value Chain Development through the delivery of relevant services to the farmers, development of partnerships with stakeholders, and expansion of carabao-based enterprise impact models.

PCC mandates are being implemented through the following programs:

Genetic Improvement Program. The preservation of existing local germplasm is complemented with the judicious introduction of riverine buffalo germplasm into pre-identified population of swamp buffalo. This is intended to improve the genetic potential for milk and meat production. The Gene Pool for indigenous Philippine swamp buffalo is at PCC at Cagayan State University (PCC at CSU) with its farm in Piat, Cagayan. There are also institutional herds, which serve as satellite gene pools and are found in the care and management of PCC regional centers located in the Central and Southern parts of the country.

Research and Development. This research agenda being carried out covers wide disciplinary areas such as breeding and genetics, biotechnology, nutrition and forage/pasture, animal health, reproductive physiology, management, product development, socio-economics and policy. The major consideration in technology development is sustainability while improving overall production efficiency and

economic profitability, primarily for small-scale and medium-scale production systems. The biotechnology laboratory facilities established in PCC National Headquarters in the Science City of Muñoz, Nueva Ecija had developed technologies that can produce high genetic embryos.

Enterprise Development. This program component of the Carabao Development Program is designed to address the ever-growing need for poverty alleviation, nutritional improvement, and farmer's empowerment by showcasing buffalo-based livelihood opportunities. The program supports the establishment of community organizations and cooperatives among farmers in target communities to grow into independent and potent avenues in promoting Carabao-based enterprises.

- f. PCC has a network of 12 centers strategically situated in Luzon, Visayas and Mindanao. These centers are PCC at Central Luzon State University, University of the Philippine-Los Baños, Mariano Marcos State University, Don Mariano Marcos Memorial State University, Cagayan State University, Ubay Stock Farm, Visayas State University (formerly Leyte State University), La Carlota Stock Farm, West Visayas State University, Central Mindanao University, University of Southern Mindanao, and Mindanao Livestock and Production Complex. PC regional centers are situated in nine (9) State Universities and Colleges and three (3) other government agencies.
- g. Per Department of Agriculture (DA) Administrative Order No. 9, series of 2009, PCC was given additional function as the lead Institution in Livestock Biotechnology research and development.
- h. Per R.A. No. 11037, otherwise known as the "Masustansyang Pagkain para sa Batang Pilipino Act", signed on June 20, 2018, PCC act as one of the coordinating agencies for the incorporation of fresh milk and fresh milk-based food products in the fortified meals and cycle menu, utilizing, as far as practicable, locally produced milk in order to enhance its nutritional content and, at the same time, help boost livelihood opportunities for local dairy farmers and local dairy industry.
- i. The PCC implemented the electronic New Government Accounting System or eNGAS to its Central Office and regional centers.
- j. PCC is certified to Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (OHSAS 45001:2018).

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the PCC have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by the Commission on Audit per COA Circular No. 2014-003 dated April 15, 2014, and COA Circular No. 2020-001 dated January 8, 2020. The consolidated financial statements are presented in Philippine peso, which is the functional and reporting currency of the PCC. The accounting policies have been consistently applied to all the years presented.

The consolidated financial statements have been prepared based on historical cost, unless stated otherwise. The cash flows statement is prepared using the direct method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The consolidated financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS).

3.2 Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the PCC and its 12 regional centers. All operating centers have a separate stand-alone set of books. Funding checks method of fund allocation is adopted for the monthly/quarterly requirement of the 12 operating units/centers. The funding check is being transferred to PCC regional centers' respective current account. The host institutions where the PC centers are located receive the fund with 5 –10% administrative costs.

Intra-agency transactions and balances among the regional centers and the central office are eliminated in full. The accounting policies of the regional offices are consistent with the policies adopted by the PCC central office.

The Modified Obligation System is used to record allotment received and obligation incurred. Separate registries are maintained for each class of allotment.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, which are readily convertible to known amounts of cash and are subjects to insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Included in this account is the semi-expendable property - it is tangible items which meet the definition and recognition criteria of PPE, but the cost is below ₱50,000.00.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operation of the PCC.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE: The characteristics of PPE are as follows:

- tangible items with threshold amount of ₱50,000.00 and above;
- are held for use in the production of supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as property, plant, and equipment is measured at cost.

A PPE acquired through a non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or because of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after recognition

After recognition, all property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the PCC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as an expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The PCC uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA. The PCC uses a residual value equivalent of at least five percent (5%) of the cost of the PPE.

Physical Count

PCC conducts physical count of PPE annually. In 2022, PCC National Headquarters and Gene Pool (NHGP) and its three Regional Centers (PCC at CSU, CLSU and LCSF) conducted One-Time Cleansing of PPE Account as per COA Circular No. 2020-006 dated Jan. 31, 2020. This year, additional four regional centers (PCC at DMMMSU, WVSU, USM and MLPC) completed the conduct of One-Time Cleansing of PPE Account.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The PCC derecognizes items of property, plant, and equipment and/or any significant part of an asset upon transfer and disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the

carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Revenue from Exchange transactions

Revenue was measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the PCC.

3.7 Budget Information

The annual budget is prepared on a cash basis and is published on the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.8 Related Parties

The PCC regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the PCC or vice versa. Members of key management were regarded as related parties and comprise the members of the Program Management Committee of the PCC such as: Center Chief of the 12 regional centers and all the Division Chiefs.

3.9 Employee Benefits

The employees of PCC are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage. The PCC recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid. The PCC recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). An unused entitlement that has accumulated at the reporting date was not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.10 Significant judgments and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, at the end of the

reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The PCC based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the PCC. Such changes are reflected in the assumptions when they occur.

4. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

The PCC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The PCC recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit. The PCC correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

On December 31, 2016, the PCC adopted IPSAS No. 27 which replaces the previous policy in the initial recognition and measurement of the agency's biological assets. The new standard includes the requirement for recognition, measurement, presentation, and disclosure of the effect of measuring the biological assets at fair value less cost to sell and is effective for years beginning on December 31, 2016. This accounting change had significant impact on PCC's consolidated financial statements.

Beginning FY 2022, COA Circular No. 2022-004 dated May 31, 2022 was adopted by PCC. This pertains to a relative increase in the capitalization threshold of semi-expendable property from ₱15,000.00 to ₱50,000.00. This is considered a change in accounting policy and shall be applied retrospectively.

5. CASH AND CASH EQUIVALENTS

Cash - Collecting Officers represents receipt of collection from sales of meat, milk, and milk products. Cash in Bank - Local Currency, Current Account represents the revolving fund from sales of meat and milk products and proceeds of collection from PCC training facilities and fund transfer from other government agencies for special project implementation.

Accounts	2023	2022
Cash - Collecting Officers	8,270,505.21	468,173.10
Petty Cash	257,331.76	333,135.25
Cash in Bank - Local Currency, Current Account	1,237,733,878.87	988,989,315.64
Total Cash and Cash Equivalents	1,246,261,715.84	989,790,623.99

6. RECEIVABLES

Accounts Receivable pertain to sales on account of milk and milk products and used of PCC training facility which is part of PCC revolving fund.

Due from National Government Agencies represents mainly fund transferred to National Dairy Authority (NDA) for the implementation of special research projects in support to the implementation of Carabao-based Enterprise Development. Also, included in this account is the procurement of commonly used supplies to DBM-Procurement Service.

Other Receivables represent the recorded receivables from farmer-recipients/cooperatives of buffaloes' loan program under the Paiwi Scheme where the awarded animals died at the farmer custody and in the process of filling the request for relief from property accountability. Likewise, it represents the accountability of PCC accountable officers for the dead buffaloes from the Agency's institutional herd.

Accounts	2023	2022
Accounts Receivable (AR)	28,578,943.63	20,216,172.81
Less: Allowance for Impairment – AR	(1,341,890.55)	(236,385.66)
Net Value - Accounts Receivable	27,237,053.08	19,979,787.15
Due from National Government Agencies	1,642,938.28	1,683,595.86
Due from Local Government Units	2,350,000.00	2,350,000.00
Due from Operating/Field Units	27,030.21	0.00
Due from Other Funds	72,898.55	133,537.24
Due from Officers and Employees	2,372,225.48	140,529.38
Other Receivables	73,676,710.94	85,379,927.36
Less: Allowance for Impairment - Other Receivables	(21,765.29)	0.00
Net Value - Other Receivables	73,654,945.65	85,379,927.36
Total Receivables	107,357,091.25	109,667,376.99

6.1 Aging/Analysis of Receivables as at December 31, 2023

Accounts	Total	>60days
Accounts Receivable, net value	27,237,053.08	27,237,053.08
Due from –		
National Government Agencies	1,642,938.28	1,642,938.28
Local Government Units	2,350,000.00	2,350,000.00
Operating/Field Units	27,030.21	27,030.21
Due from Other Funds	72,898.55	72,898.55
Due from Officers and Employees	2,372,225.48	2,372,225.48
Other Receivables, net value	73,654,945.65	73,654,945.65
Total	107,357,091.25	107,357,091.25

7. INVENTORIES

This account represents mostly the supplies and biologics for animal and laboratory maintenance. The fuel, oil and lubricants are for the regular operating requirements of the institutional herds and Gene Pool of the Center.

Accounts	2023	2022
Office Supplies Inventory	2,419,288.38	1,759,333.93
Accountable Forms, Plates and Stickers Inventory	64,185.40	57,100.00
Animal/Zoological Supplies Inventory	20,196,164.36	29,538,150.10
Medical, Dental and Laboratory Supplies Inventory	7,930,604.61	3,408,396.89
Fuel, Oil and Lubricants Inventory	3,341,091.11	2,585,079.38
Agricultural and Marine Supplies Inventory	183,917.06	683,880.00
Construction Materials Inventory	1,536,425.75	1,835,355.14
Other Supplies and Materials Inventory	19,238,231.58	24,677,346.60
Semi-Expendable –		
Office Equipment	1,211,687.18	99,903.00
Information and Communications Technology Equipment	426,983.67	110,092.75
Technical and Scientific Equipment	3,300,526.00	235,000.00
Other Equipment	2,325,847.00	0.00
Furniture and Fixtures	284,500.00	0.00
Total Inventories	62,459,452.10	64,989,637.79

8. PROPERTY, PLANT AND EQUIPMENT

This account represents the acquired properties of the center through direct purchased and donations. These assets are depreciated using the straight-line method of depreciation with at least 5% residual value. All items included in this account meets the capitalization threshold of ₱50,000.00 and below.

Particulars	Land	Land Improvements	Buildings & Other Structures
Carrying Amount, at January 1, 2023	24,047,322.12	13,043,615.06	583,063,455.90
Additions/acquisitions	0.00	0.00	65,910,673.62
Total	24,047,322.12	13,043,615.06	648,974,129.52
Disposals	0.00	0.00	0.00
Transfer/adjustment/reclassification	0.00	(2,863.22)	(7,533,100.92)
<i>Depreciation</i> <i>(as per Statement of Financial Performance)</i>	0.00	(2,178,618.87)	(44,092,804.52)
<i>Impairment loss</i> <i>(as per Statement of Financial Performance)</i>	0.00	0.00	0.00
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	24,047,322.12	10,862,132.97	597,348,224.08
Gross cost (Asset account balance per Statement of Financial Position)	24,047,322.12	72,550,633.84	1,151,843,865.03
Less: <i>Accumulated Depreciation</i>	0.00	(61,688,500.87)	(554,495,640.95)
<i>Allowance for impairment</i>	0.00	0.00	0.00
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	24,047,322.12	10,862,132.97	597,348,224.08

Particulars	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures
Carrying Amount, at January 1, 2023	274,640,427.01	25,676,811.29	1,365,650.63
Additions/acquisitions	223,265,467.85	20,337,762.44	0.00
Total	497,905,894.86	46,014,573.73	1,365,650.63
Disposals	(1,338,657.64)	(2,252,964.53)	0.00
Transfer/adjustment/reclassification	(45,086,494.50)	(4,569,842.03)	2,389.85
<i>Depreciation</i>			
<i>(as per Statement of Financial Performance)</i>	(51,009,473.84)	(5,383,223.73)	(201,454.82)
<i>Impairment loss</i>			
<i>(as per Statement of Financial Performance)</i>	(113,187.55)	(16,950.00)	0.00
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	400,358,081.33	33,791,593.44	1,166,585.66
Gross cost (Asset account balance per Statement of Financial Position)	855,289,915.50	118,329,878.16	3,362,825.28
Less: <i>Accumulated Depreciation</i>	(452,444,667.92)	(84,083,966.12)	(2,196,239.62)
<i>Allowance for impairment</i>	(2,487,166.25)	(454,318.60)	0.00
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	400,358,081.33	33,791,593.44	1,166,585.66

Particulars	Other Property, Plant and Equipment	Construction in Progress-Buildings and Other Structures	Grand Total
Carrying Amount, at January 1, 2023	4,277,392.16	17,286,817.78	943,401,491.95
Additions/acquisitions	4,078,924.00	78,281,002.72	391,873,830.63
Total	8,356,316.16	95,567,820.50	1,335,275,322.58
Disposals	(14,529.23)	0.00	(3,606,151.40)
Transfer/adjustment/reclassification	(72,391.01)	(28,782,770.20)	(86,045,072.03)
<i>Depreciation</i>			
<i>(as per Statement of Financial Performance)</i>	(963,442.30)	0.00	(103,829,018.08)
<i>Impairment loss</i>			
<i>(as per Statement of Financial Performance)</i>	(76,750.00)	0.00	(206,887.55)
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	7,229,203.62	66,785,050.30	1,141,588,193.52
Gross cost (Asset account balance per Statement of Financial Position)	23,337,421.01	66,785,050.30	2,315,546,911.24
Less: <i>Accumulated Depreciation</i>	(16,031,467.39)	0.00	(1,170,940,482.87)
<i>Allowance for impairment</i>	(76,750.00)	0.00	(3,018,234.85)
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	7,229,203.62	66,785,050.30	1,141,588,193.52

Particulars	Land	Land Improvements	Buildings & Other Structures
Carrying Amount, at January 1, 2022	24,047,322.12	23,512,393.68	688,556,230.04
Additions/acquisitions	0.00	0.00	28,484,100.05
Total	24,047,322.12	23,512,393.68	717,040,330.09
Disposals	0.00	0.00	0.00
Transfer/adjustment/reclassification	0.00	(4,579,663.42)	(86,658,872.85)
<i>Depreciation</i>			
<i>(as per Statement of Financial Performance)</i>	0.00	(5,889,115.20)	(47,318,001.34)
<i>Impairment loss</i>			
<i>(as per Statement of Financial Performance)</i>	0.00	0.00	0.00
Carrying Amount, at December 31, 2022 (As per Statement of Financial Position)	24,047,322.12	13,043,615.06	583,063,455.90
Gross cost (Asset account balance per	24,047,322.12	72,550,633.84	1,088,234,726.36

Particulars	Land	Land Improvements	Buildings & Other Structures
Statement of Financial Position			
Less: <i>Accumulated Depreciation</i>	0.00	(59,507,018.78)	(505,171,270.46)
<i>Allowance for impairment</i>	0.00	0.00	0.00
Carrying Amount, at December 31, 2022 (As per Statement of Financial Position)	24,047,322.12	13,043,615.06	583,063,455.90

Particulars	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures
Carrying Amount, at January 1, 2022	315,327,123.17	27,162,431.44	6,435,147.32
Additions/acquisitions	60,243,699.56	10,399,252.27	1,338,626.22
Total	375,570,822.73	37,561,683.71	7,773,773.54
Disposals	(5,458,274.55)	(401,574.50)	0.00
Transfer/adjustment/reclassification	(43,877,303.83)	(6,642,543.84)	(5,728,095.80)
<i>Depreciation</i>			
<i>(as per Statement of Financial Performance)</i>	(51,580,101.84)	(4,840,754.08)	(680,027.11)
<i>Impairment loss</i>			
<i>(as per Statement of Financial Performance)</i>	(14,715.50)	0.00	0.00
Carrying Amount, at December 31, 2022 (As per Statement of Financial Position)	274,640,427.01	25,676,811.29	1,365,650.63
Gross cost (Asset account balance per Statement of Financial Position)	686,681,190.84	111,477,946.13	3,302,825.28
Less: <i>Accumulated Depreciation</i>	(409,616,526.96)	(85,363,766.24)	(1,937,174.65)
<i>Allowance for impairment</i>	(2,424,236.87)	(437,368.60)	0.00
Carrying Amount, at December 31, 2022 (As per Statement of Financial Position)	274,640,427.01	25,676,811.29	1,365,650.63

Particulars	Other Property, Plant and Equipment	Construction in Progress-Buildings and Other Structures	Grand Total
Carrying Amount, at January 1, 2022	3,294,789.19	9,612,421.93	1,097,947,858.89
Additions/acquisitions	119,420.00	15,761,968.04	116,347,066.14
Total	3,414,209.19	25,374,389.97	1,214,294,925.03
Disposals	(116,410.00)	0.00	(5,976,259.05)
Transfer/adjustment/reclassification	1,494,253.34	(8,087,572.19)	(154,079,798.59)
<i>Depreciation</i>			
<i>(as per Statement of Financial Performance)</i>	(514,660.37)	0.00	(110,822,659.94)
<i>Impairment loss</i>			
<i>(as per Statement of Financial Performance)</i>	0.00	0.00	(14,715.50)
Carrying Amount, at December 31, 2022 (As per Statement of Financial Position)	4,277,392.16	17,286,817.78	943,401,491.95
Gross cost (Asset account balance per Statement of Financial Position)	19,557,962.05	17,286,817.78	2,023,139,424.40
Less: <i>Accumulated Depreciation</i>	(15,280,569.89)	0.00	(1,076,876,326.98)
<i>Allowance for impairment</i>	0.00	0.00	(2,861,605.47)
Carrying Amount, at December 31, 2022 (As per Statement of Financial Position)	4,277,392.16	17,286,817.78	943,401,491.95

9. INTANGIBLE ASSETS

Particulars	Computer Software
Carrying Amount, at January 1, 2023	5,601,596.67
Additions/acquisitions	698,000.00
Total	6,299,596.67
<i>Amortization</i>	447,500.00
Carrying Amount, at Dec. 31, 2023	6,747,096.67
Gross cost	6,747,096.67
Less: Accumulated Amortization	0.00
Carrying Amount, at December 31, 2023 (As per Statement of Financial Position)	6,747,096.67

Particulars	Computer Software
Carrying Amount at January 1, 2022	₱5,765,932.48
Additions/acquisitions	0.00
Total	5,765,932.48
Other Changes	(164,335.81)
Carrying Amount at December 31, 2022 (As per Statement of Financial Position)	5,601,596.67
Gross cost (Asset account balance per Statement of Financial Position)	5,601,596.67
Less: Accumulated Amortization	0.00
Carrying Amount at December 31, 2022 (As per Statement of Financial Position)	₱5,601,596.67

10. BIOLOGICAL ASSETS

This account represents mainly the imported and island born riverine murrh and Italian Mediterranean breed of buffaloes distributed among PCC production centers, farmers' cooperatives/associations and animals that are maintained in institutional herd of the center. The increase in values of the biological account represents the recognition of calves produced, purchases of animals due to additional fund received from locally funded projects, and the effects of revaluation of the cost animals at fair value less cost to sell.

	2023	2022
Breeding Stocks	88,118,845.00	77,443,382.50
Livestock Held for Consumption/Sale/Distribution	108,701,434.50	88,226,237.00
Total Biological Assets	196,820,279.50	165,669,619.50

10.1 Reconciliation of the amount of Breeding Stocks

Carrying amount as of January 1, 2023	77,443,382.50
Increases due to purchases and births	52,049,432.84
Increases due to transfer from regional center	679,175.00
Gain arising from changes in fair value less costs to sell attributable to physical/price change	<i>Table1.1</i> 12,012,570.00
Loss arising from changes in fair value less costs to sell attributable to physical/price change	<i>Table1.2</i> (4,213,489.50)
Decreases due to sales	(4,591,700.00)
Decreases due to death	(1,599,125.00)
Decreases due to transfer to farmers/Others	(9,820,980.00)
Decreases due to transfer to regional center	(23,373,435.84)
Adjustments/reclassification	(10,466,985.00)
Carrying amount as of December 31, 2023	88,118,845.00

Table 1.1: Gain Due to Physical/Price Change

Date recognized	Particulars	Qty	CFV*	Recorded cost	Difference	Amount
		78	10,725.00	9,750.00	975.00	76,050.00
		373	32,175.00	29,250.00	2,925.00	1,091,025.00
		148	21,450.00	5,000.00	16,450.00	2,434,600.00
		152	5,500.00	5,000.00	500.00	76,000.00
		157	32,175.00	22,750.00	9,425.00	1,479,725.00
		43	25,025.00	22,750.00	2,275.00	97,825.00
		92	25,025.00	5,000.00	20,025.00	1,842,300.00
		137	25,025.00	19,500.00	5,525.00	756,925.00
		79	21,450.00	19,500.00	1,950.00	154,050.00
		26	29,250.00	22,750.00	6,500.00	169,000.00
		2	22,750.00	11,050.00	11,700.00	23,400.00
		26	32,175.00	19,500.00	12,675.00	329,550.00
		14	22,750.00	5,000.00	17,750.00	248,500.00
		15	19,500.00	5,000.00	14,500.00	217,500.00
		1	25,025.00	20,000.00	5,025.00	5,025.00
Dec- ember 31, 2023	BREEDING STOCKS	14	21,450.00	4,250.00	17,200.00	240,800.00
		16	25,025.00	4,250.00	20,775.00	332,400.00
		11	22,750.00	19,500.00	3,250.00	35,750.00
		12	10,725.00	6,500.00	4,225.00	50,700.00
		1	19,500.00	11,050.00	8,450.00	8,450.00
		6	32,175.00	11,050.00	21,125.00	126,750.00
		48	7,150.00	6,500.00	650.00	31,200.00
		8	21,450.00	13,000.00	8,450.00	67,600.00
		2	14,300.00	13,000.00	1,300.00	2,600.00
		16	14,300.00	9,750.00	4,550.00	72,800.00
		7	10,725.00	3,000.00	7,725.00	54,075.00
		29	28,600.00	19,500.00	9,100.00	263,900.00
		1	21,450.00	6,500.00	14,950.00	14,950.00
		5	3,300.00	3,000.00	300.00	1,500.00
		3	28,600.00	16,250.00	12,350.00	37,050.00
		125	28,600.00	22,750.00	5,850.00	731,250.00
		1	21,450.00	(12,750.00)	34,200.00	34,200.00
		1	32,175.00	16,250.00	15,925.00	15,925.00

Date recognized	Particulars	Qty	CFV*	Recorded cost	Difference	Amount
		2	32,175.00	13,000.00	19,175.00	38,350.00
		1	25,025.00	8,250.00	16,775.00	16,775.00
		3	25,025.00	(19,250.00)	44,275.00	132,825.00
		1	32,175.00	21,125.00	11,050.00	11,050.00
		2	21,450.00	(20,875.00)	42,325.00	84,650.00
		2	7,150.00	(9,750.00)	16,900.00	33,800.00
		13	25,025.00	22,750.00	2,275.00	29,575.00
		2	25,025.00	11,050.00	13,975.00	27,950.00
		1	30,875.00	6,500.00	24,375.00	24,375.00
		1	32,175.00	5,000.00	27,175.00	27,175.00
		5	29,250.00	19,500.00	9,750.00	48,750.00
		1	29,250.00	27,750.00	1,500.00	1,500.00
		42	25,025.00	22,750.00	2,275.00	95,550.00
		41	10,725.00	9,750.00	975.00	39,975.00
		2	21,450.00	9,750.00	11,700.00	23,400.00
		6	21,450.00	3,000.00	18,450.00	110,700.00
		13	12,155.00	5,000.00	7,155.00	93,015.00
		1	12,155.00	3,000.00	9,155.00	9,155.00
		1	28,600.00	13,000.00	15,600.00	15,600.00
		7	25,025.00	21,450.00	3,575.00	25,025.00
Total		1796				12,012,570.00

*Current fair value (average from various age groups) of breeding stocks considering the age, other physical change, and current market price.

*Note: Gain from changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change (Breeding Stocks) correct amount should be ₱1,502,970.00 by PCC-USF and ₱9,425.00 by PCC-NHGP were recorded to Gain on Initial Recognition of Biological Assets.

Table 1.2: Loss Due to physical/price change

Date recognized	Particulars	Qty	CFV*	Recorded cost	Difference	Difference
		17	10,725.00	29,250.00	(18,525.00)	(314,925.00)
		20	9,750.00	29,250.00	(19,500.00)	(390,000.00)
		1	30,875.00	46,312.50	(15,437.50)	(15,437.50)
		1	19,500.00	22,750.00	(3,250.00)	(3,250.00)
		5	4,250.00	11,050.00	(6,800.00)	(34,000.00)
		1	11,050.00	19,500.00	(8,450.00)	(8,450.00)
		3	6,500.00	22,750.00	(16,250.00)	(48,750.00)
		27	10,725.00	29,250.00	(18,525.00)	(500,175.00)
		2	29,250.00	30,000.00	(750.00)	(1,500.00)
		4	7,150.00	19,500.00	(12,350.00)	(49,400.00)
		1	3,300.00	9,750.00	(6,450.00)	(6,450.00)
		2	32,175.00	55,000.00	(22,825.00)	(45,650.00)
		2	25,025.00	66,000.00	(40,975.00)	(81,950.00)
		1	32,175.00	66,000.00	(33,825.00)	(33,825.00)
		1	10,725.00	39,000.00	(28,275.00)	(28,275.00)
		2	32,175.00	39,000.00	(6,825.00)	(13,650.00)
		3	32,175.00	35,750.00	(3,575.00)	(10,725.00)
		5	32,175.00	53,500.00	(21,325.00)	(106,625.00)
		3	30,875.00	56,750.00	(25,875.00)	(77,625.00)
		3	10,725.00	53,500.00	(42,775.00)	(128,325.00)
		1	25,025.00	35,750.00	(10,725.00)	(10,725.00)
		50	32,175.00	71,329.04	(39,154.04)	(1,957,702.00)
		1	10,725.00	22,750.00	(12,025.00)	(12,025.00)
Dec- ember 31, 2023	BREEDING STOCKS					

Date recog-nized	Particulars	Qty	CFV*	Recorded cost	Difference	Difference
		11	5,000.00	6,500.00	(1,500.00)	(16,500.00)
		1	21,450.00	39,000.00	(17,550.00)	(17,550.00)
		14	7,150.00	22,750.00	(15,600.00)	(218,400.00)
		5	7,150.00	9,750.00	(2,600.00)	(13,000.00)
		14	28,600.00	29,250.00	(650.00)	(9,100.00)
		1	7,150.00	13,000.00	(5,850.00)	(5,850.00)
		1	10,725.00	30,875.00	(20,150.00)	(20,150.00)
		15	21,450.00	22,750.00	(1,300.00)	(19,500.00)
		1	5,500.00	19,500.00	(14,000.00)	(14,000.00)
Total		219				(4,213,489.50)

*Current fair value (average from various age groups) of breeding stocks considering the age, other physical change, and current market price.

10.2 Reconciliation of the amount of Livestock Held for Consumption/Sale/ Distribution

Carrying amount as of January 1, 2023	88,226,237.00
Increases due to purchases and births	59,884,835.00
Increases due to transfer from regional center	21,357,450.00
Gain arising from changes in fair value less costs to sell attributable to physical/price change	<i>Table2.1</i> 4,658,307.50
Loss arising from changes in fair value less costs to sell attributable to physical/price change	<i>Table2.2</i> (18,529,695.00)
Decreases due to sales	(675,985.00)
Decreases due to death	(826,062.50)
Decreases due to transfer to farmers/Others	(44,187,987.50)
Decreases due to transfer to regional center	(2,811,000.00)
Adjustments/reclassification	1,605,335.00
Carrying amount as of December 31, 2023	108,701,434.50

Table 2.1: Gain Due to physical/price change

Date	Particulars	Qty	CFV*	Recorded cost	Difference	Amount
		92	32,175.00	29,250.00	2,925.00	269,100.00
		68	32,175.00	22,750.00	9,425.00	640,900.00
		1	32,175.00	30,000.00	2,175.00	2,175.00
		46	25,025.00	19,500.00	5,525.00	254,150.00
		24	25,025.00	22,750.00	2,275.00	54,600.00
		105	10,725.00	9,750.00	975.00	102,375.00
		8	22,750.00	14,500.00	8,250.00	66,000.00
		4	22,750.00	19,500.00	3,250.00	13,000.00
	LIVESTOCK	1	25,025.00	20,000.00	5,025.00	5,025.00
	HELD FOR	1	80,000.00	75,000.00	5,000.00	5,000.00
	CONSUMPTION/	1	62,000.00	60,000.00	2,000.00	2,000.00
	SALE/	6	32,175.00	19,500.00	12,675.00	76,050.00
	DISTRIBUTION	58	21,450.00	19,500.00	1,950.00	113,100.00
		53	7,150.00	6,500.00	650.00	34,450.00
		2	21,450.00	13,000.00	8,450.00	16,900.00
		1	14,300.00	13,000.00	1,300.00	1,300.00
		5	14,300.00	9,750.00	4,550.00	22,750.00
		17	21,450.00	5,000.00	16,450.00	279,650.00
		1	7,150.00	(6,500.00)	13,650.00	13,650.00
		5	7,150.00	(22,750.00)	29,900.00	149,500.00
		9	28,600.00	(22,750.00)	51,350.00	462,150.00

Date	Particulars	Qty	CFV*	Recorded cost	Difference	Amount
		87	28,600.00	22,750.00	5,850.00	508,950.00
		1	28,600.00	(64,950.00)	93,550.00	93,550.00
		5	32,175.00	(46,312.50)	78,487.50	392,437.50
		1	32,175.00	(17,100.00)	49,275.00	49,275.00
		9	28,600.00	19,500.00	9,100.00	81,900.00
		6	21,450.00	4,250.00	17,200.00	103,200.00
		40	21,450.00	11,050.00	10,400.00	416,000.00
		16	12,155.00	4,250.00	7,905.00	126,480.00
		2	28,600.00	4,250.00	24,350.00	48,700.00
		5	4,675.00	4,250.00	425.00	2,125.00
		6	25,025.00	5,000.00	20,025.00	120,150.00
		18	12,155.00	5,000.00	7,155.00	128,790.00
		1	32,175.00	29,250.00	2,925.00	2,925.00
Total		705				4,658,307.50

*Current fair value (average from various age groups) of breeding stocks considering the age, other physical change, and current market price.

Table 2.2: Loss Due to physical/price change

Date	Particulars	Qty	CFV*	Recorded cost	Difference	Amount
		31	28,600.00	74,950.00	(46,350.00)	(1,436,850.00)
		6	12,155.00	80,000.00	(67,845.00)	(407,070.00)
		15	28,600.00	80,000.00	(51,400.00)	(771,000.00)
		8	21,450.00	62,000.00	(40,550.00)	(324,400.00)
		3	21,450.00	60,000.00	(38,550.00)	(115,650.00)
		2	21,450.00	58,000.00	(36,550.00)	(73,100.00)
		3	28,600.00	75,000.00	(46,400.00)	(139,200.00)
		2	21,450.00	57,000.00	(35,550.00)	(71,100.00)
		10	9,750.00	29,250.00	(19,500.00)	(195,000.00)
		5	22,750.00	29,250.00	(6,500.00)	(32,500.00)
		1	32,175.00	55,575.00	(23,400.00)	(23,400.00)
		1	57,000.00	62,500.00	(5,500.00)	(5,500.00)
		1	62,000.00	75,000.00	(13,000.00)	(13,000.00)
	LIVESTOCK	1	58,000.00	75,000.00	(17,000.00)	(17,000.00)
	HELD FOR	1	60,000.00	62,000.00	(2,000.00)	(2,000.00)
	CONSUMPTION/	14	10,725.00	29,250.00	(18,525.00)	(259,350.00)
	SALE/	4	7,150.00	22,750.00	(15,600.00)	(62,400.00)
	DISTRIBUTION	246	10,725.00	30,875.00	(20,150.00)	(4,956,900.00)
		8	28,600.00	29,250.00	(650.00)	(5,200.00)
		25	7,150.00	22,750.00	(15,600.00)	(390,000.00)
		1	7,150.00	9,750.00	(2,600.00)	(2,600.00)
		32	4,675.00	5,000.00	(325.00)	(10,400.00)
		24	32,175.00	46,312.50	(14,137.50)	(339,300.00)
		88	28,600.00	29,250.00	(650.00)	(57,200.00)
		1	7,150.00	29,250.00	(22,100.00)	(22,100.00)
		1	21,450.00	22,750.00	(1,300.00)	(1,300.00)
		11	21,450.00	22,750.00	(1,300.00)	(14,300.00)
		120	4,675.00	75,000.00	(70,325.00)	(8,439,000.00)
		1	7,150.00	30,875.00	(23,725.00)	(23,725.00)
		8	10,725.00	46,312.50	(35,587.50)	(284,700.00)
		2	32,175.00	49,400.00	(17,225.00)	(34,450.00)
Total		676				(18,529,695.00)

*Current fair value (average from various age groups) of breeding stocks considering the age, other physical change, and current market price.

11. OTHER ASSETS

Other Assets represents Advances to Officers and Employees, Advances to Contractors for mobilization of construction/renovation of buildings and other structures of the Centers, unexpired portion of prepayments and remaining unserviceable PPE of the Regional Centers.

Accounts	2023		2022	
	Current	Non-current	Current	Non-current
Advances to Officers and Employees	178,192.00	0.00	281,060.75	0.00
Advances to Contractors	18,074,097.29	0.00	1,236,329.86	0.00
Prepaid Registration	6,020.66	0.00	9,569.83	0.00
Prepaid Insurance	5,427,777.80	0.00	3,855,355.67	0.00
Prepaid Subscription	555,222.36	0.00	1,575,540.97	0.00
Guaranty Deposits	20,000.00	0.00	0.00	0.00
Other Assets	0.00	365,627.27	0.00	690,677.27
Total Other Assets	24,261,310.11	365,627.27	6,957,857.08	690,677.27

12. FINANCIAL LIABILITIES

The Accounts Payable represents the due and demandable obligations to various contractors and suppliers of the agency. Due to Officers and Employees account consist of payables to permanent employees of the agency for their various reimbursements and benefits at year-end.

Accounts	2023	2022
Accounts Payable	56,787,858.50	67,091,046.25
Due to Officers and Employees	3,897,569.35	7,129,689.70
Total Financial Liabilities	60,685,427.85	74,220,735.95

13. INTER-AGENCY PAYABLES

Accounts	2023	2022
Due to BIR	9,126,363.79	4,245,026.13
Due to GSIS	627,082.17	598,187.06
Due to Pag-IBIG	256,280.87	136,959.93
Due to PhilHealth	144,048.75	110,733.05
Due to NGAs	239,268,148.71	273,342,804.19
Total Inter-Agency Payables	249,421,924.29	278,433,710.36

Due to NGAs account are the fund transfers received for the implementation of special projects from Department of Science and Technology (DOST), Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD), Department of Agriculture-Bureau of Agricultural Research (BAR), National Dairy Authority (NDA), Philippine Coconut Authority (PCA), Department of Education (DepEd) and Department of Social Welfare and Development (DSWD). Fund transfers from DOST, PCAARRD and DA-BAR are for various research projects in support of the carabao-based enterprises development and genetic improvement programs. In 2023, PCC received fund from the government of New Zealand (AgResearch Limited at Lincoln, New

Zealand) through its business unit – New Zealand Agricultural Greenhouse Gas Centre (NZAGRC) for the implementation of project entitled "Enhancement of Greenhouse Gas Inventory and Mitigation for Buffalo in the Philippines" with project duration of June 25, 2023 to March 31, 2025.

14. TRUST LIABILITIES

Trust Liabilities represent mainly the trust accounts for the proceeds from sale of bid documents and common fund to support the implementation of the various utilities and administrative expenses of the Agency. Guaranty/Security Deposits Payable represents the performance and security bonds of various contractors and suppliers of the Center.

Accounts	2023		2022	
	Current	Non-current	Current	Non-current
Trust Liabilities	4,864,224.63	0.00	4,142,163.18	0.00
Guaranty/Security Deposits Payable	16,080,427.14	0.00	5,646,370.18	3,891,910.27
Trust Liabilities – Disallowances/Charges	431,439.59	2,308,509.45	66,061.98	
Total Trust Liabilities	21,376,091.36	2,308,509.45	9,854,595.34	3,891,910.27

15. DEFERRED CREDITS/UNEARNED INCOME

Other Deferred Credits account represents the set-up receivable from accountable officers/farmer-recipients/cooperatives for the dead animals which are in the process of request for relief from property accountability to the Commission on Audit.

Accounts	2023		2022	
	Current	Non-current	Current	Non-current
Other Unearned Revenue	332,820.00	0.00	0.00	0.00
Other Deferred Credits	0.00	72,538,104.70	0.00	82,706,238.41
Total Deferred Credits	332,820.00	72,538,104.70	0.00	82,706,238.41

16. OTHER PAYABLES

Other Payables account is the deduction from officers and employees for their payment/contribution to provident fund and various employees' cooperative/association.

Accounts	2023	2022
Other Payables	7,458,258.83	5,586,012.28
Total Other Payables	7,458,258.83	5,586,012.28

17. SERVICE AND BUSINESS INCOME

Accounts	2023	2022
Other Service Income	110,940.00	4,489,607.21
Income from Hostels/Dormitories and Other Like Facilities	5,071,585.00	3,395,082.99
Interest Income	227,557.66	162,187.81
Other Business Income	151,462,670.64	162,754,773.93
Proceeds from Insurance/Indemnities	410,325.00	0.00
Miscellaneous Income	6,229,944.66	3,798,109.83
Total Service and Business Income	163,513,022.96	174,599,761.77

The recorded Other Business Income represents sales of meat, milk and milk products, and other by-products incidental to the operation of the Institutional dairy-business module of the agency. Likewise, Income from Hostels/Dormitories and Other Like Facilities is the account used to record the rental of PCC training hall and room accommodation facilities. This income represents the revolving fund of the agency. Proceeds from Insurance/Indemnities is the collection received from Philippine Crop Insurance Corporation (PCIC) for the insurance claimed from the insured dead animals of the agency.

18. GAINS

Accounts	2023	2022
Gain on Initial Recognition of Biological Assets	6,302,845.00	5,019,515.00
Gain on Sale of Biological Assets	3,230,119.62	1,653,149.50
Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change	15,177,332.50	9,138,667.50
Gain on Sale of Agricultural Produce	5,771,760.00	8,515,270.00
Gain on Initial Recognition of Agricultural Produce	23,387,296.10	23,587,170.45
Total Gains	53,869,353.22	47,913,772.45

19. PERSONNEL SERVICES

The following are included in the Personnel Services expenses:

Accounts	2023	2022
Salaries and Wages - Regular	94,585,257.82	88,525,861.79
Personal Economic Relief Allowance (PERA)	4,249,454.51	4,020,939.59
Representation Allowance (RA)	1,800,400.00	1,851,875.00
Transportation Allowance (TA)	1,613,833.67	1,585,875.36
Clothing/Uniform Allowance	1,034,318.18	1,020,000.00
Laundry Allowance	424,918.93	460,362.54
Hazard Pay	9,304,919.75	8,946,147.84
Year End Bonus	7,931,947.50	7,471,616.55
Cash Gift	949,000.00	866,750.00

Accounts	2023	2022
Mid-Year Bonus	7,805,898.00	7,292,987.00
Other Bonuses and Allowances	11,360,721.54	9,039,949.67
Retirement and Life Insurance Premiums	10,947,979.37	10,951,286.60
Pag-IBIG Contributions	203,100.00	245,327.17
PhilHealth Contributions	1,611,853.74	1,547,333.66
Employees Compensation Insurance Premiums	586,922.23	211,700.00
Terminal Leave Benefits	3,299,916.95	16,243,706.38
Other Personnel Benefits	4,476,966.08	4,555,000.00
Total Personnel Services	162,187,408.27	164,836,719.15

The increase in Personnel Services expenses in 2023 is the effect of the implementation of the 4th tranche of the Salary Standardization Law of 2019 as per R.A. No. 11466, Performance-Based Bonus for FY 2021, increased Collective Negotiation Agreement in the amount of ₱30,000.00 per eligible employees and Service Recognition Incentive of ₱20,000.00 per qualified employees.

20. MAINTENANCE AND OTHER OPERATING EXPENSES

The following are included in the Maintenance and Other Operating Expenses:

Accounts	2023	2022
Traveling Expenses - Local	34,772,518.38	30,167,014.92
Traveling Expenses - Foreign	165,277.66	728,829.69
Training Expenses	37,506,808.15	28,771,107.29
Scholarship Grants/Expenses	55,130.00	129,540.00
Supplies and Materials Expenses	310,529,118.74	226,879,147.83
Water Expenses	1,133,825.16	1,229,265.96
Electricity Expenses	24,244,724.86	22,731,273.44
Postage and Courier Services	508,970.53	495,064.97
Telephone Expenses	1,629,924.40	2,031,825.17
Internet Subscription Expenses	3,323,793.15	3,624,313.51
Cable, Satellite, Telegraph and Radio Expenses	16,000.00	23,580.00
Awards/Rewards Expenses	4,471,250.00	3,995,000.00
Prizes	17,000.00	50,000.00
Survey Expenses	0.00	48,000.00
Extraordinary and Miscellaneous Expenses	63,177.00	56,500.00
Legal Services	678,827.36	704,104.90
Auditing Services	16,706.00	0.00
Consultancy Services	558,423.57	7,545,032.09
Other Professional Services	98,192,901.16	84,370,468.67
Janitorial Services	984,546.19	1,069,290.40
Security Services	8,475,244.19	6,970,966.01
Other General Services	6,164,814.99	5,413,996.08
Repairs and Maintenance	30,079,262.23	26,390,014.72
Taxes, Duties and Licenses	3,084,660.84	935,702.79
Fidelity Bond Premiums	190,669.16	155,550.00
Insurance Expenses	6,170,137.20	5,238,337.08

Accounts	2023	2022
Labor and Wages	54,129,195.25	52,634,739.97
Advertising, Promotional and Marketing Expenses	135,000.00	253,586.00
Printing and Publication Expenses	1,520,000.06	526,763.82
Representation Expenses	6,992,791.47	7,396,336.14
Transportation and Delivery Expenses	679,622.36	463,607.72
Rent/Lease Expenses	1,758,782.81	633,548.00
Membership Dues and Contributions to Organizations	136,725.91	73,000.00
Subscription Expenses	2,213,134.21	1,615,785.29
Donations	142,580.00	19,039.50
Bank Transaction Fee	87,075.05	38,280.00
Other Maintenance and Operating Expenses	6,456,352.33	4,432,931.82
Total Maintenance and Other Operating Expenses	647,284,970.37	527,841,543.78

21. NON-CASH EXPENSES

Accounts	2023	2022
Depreciation –		
Land Improvements	2,178,618.87	5,889,115.20
Buildings and Other Structures	44,092,804.52	47,318,001.34
Machinery and Equipment	51,009,473.84	51,580,101.84
Transportation Equipment	5,383,223.73	4,840,754.08
Furniture, Fixtures and Books	201,454.82	680,027.11
Other Property, Plant and Equipment	963,442.30	514,660.37
Impairment Loss	1,334,157.73	236,385.66
Loss on Sale of Biological Assets	1,287,329.80	760,805.00
Loss from Changes in Fair Value Less Costs to Sell of Biological Assets Due to Physical Change	22,743,184.50	12,518,912.50
Total Non-Cash Expenses	129,193,690.11	124,338,763.10

Loss from changes in fair value less cost of sell of biological assets due to physical change is the effect of the implementation of IPSAS No. 27 which replaces the previous policy in the initial recognition and measurement of the agency's biological assets. The standard includes the requirement for recognition, measurement, presentation and disclosure of the effect of measuring the biological assets at fair value less cost to sell and is effective for years beginning on December 31, 2016. PMC resolution no. 009 series of 2023 dated December 8, 2023 is the basis of revaluation of animals at year-end. Loss on sale of biological assets account is the net effect from sale of animals not fit for breeding and reproduction and/or culled animals.

PCC recognized the impairment loss of receivables based on 1% for current accounts and 2% for prior year's receivables. Likewise, impairment loss – property, plant and equipment is recognized in the books using the carrying amount of unserviceable properties at year-end.

22. NET FINANCIAL ASSISTANCE/SUBSIDY

Accounts	2023	2022
Financial Assistance/Subsidy from NGAs		
Subsidy from National Government	1,337,705,671.59	981,607,695.57
Assistance from Other National Government Agencies	34,373,789.99	8,674,909.44
Constructive Receipt of NCA for TRA	21,003,185.05	12,874,014.73
Total Financial Assistance/Subsidy from NGAs	1,393,082,646.63	1,003,156,619.74
Less: Financial Assistance/Subsidy to NGAs		
Subsidy to Regional Offices/Staff Bureaus		
Subsidy to Other Funds	455,830.00	0.00
Remittance of taxes withheld covered by TRA	21,003,185.05	12,874,014.73
Subsidies – Others	78,590,149.91	27,332,581.97
Total Financial Assistance/Subsidy from NGAs	100,049,164.96	40,206,596.70
Total Net Financial Assistance/Subsidy	1,293,033,481.67	962,950,023.04

The agency's main sources of funds to support its operation are provided by the national government through the General Appropriation Act (GAA). Details of receipts and payments from budgeted to actual amounts are presented in the statement of comparison of budget and actual amounts.

Subsidy from national government represents mainly the Notice of Cash Allocation (NCA) received from the Department of Budget and Management in accordance with the budget stipulated in the FY 2023 GAA for PCC. The increase in budget is the funding requirement for the implementation of Locally Funded Projects entitled "Herd Build-Up of Genetically-Improved Dairy Buffaloes of the Philippine Carabao Center" amounting to ₱698,879,000.00. Also, in 2023, year 2 implementation of Foreign-Assisted Projects amounting to ₱58,415,000.00 is included in PCC budget. Payments made from the budgeted receipts are in accordance with the approved implementation plan of 2023.

23. GAINS AND LOSSES

23.1 Gains

Accounts	2023	2022
Gain on Sale of Unserviceable Property	0.00	119,700.00
Gain on Sale of Property, Plant and Equipment	353,480.58	0.00
Total Gains	353,480.58	119,700.00

23.2 Losses

Accounts	2023	2022
Loss on Sale of Property, Plant and Equipment	1,099,373.17	37,596.84
Loss of Assets	2,695,902.50	2,233,173.91
Loss on Sale of Unserviceable Property	0.00	17,038.48
Other Losses	320.00	255.00
Total Losses	3,795,595.67	2,288,064.23

The Loss of Assets account represents losses from dead buffaloes of the Agency. Also, the increased amount of Loss on Sale of PPE is from the substantial disposal of various unserviceable PPE.

24. EVENTS AFTER THE REPORTING PERIOD

There are no material non-adjusting events after the reporting date.

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) non-derecognition of disposed animals totaling ₱22,804,856.00; (b) unreconciled variance of ₱5,788,850.00 between Accounting and Property records; (c) unsubstantiated derecognition of dispersed and culled animals totaling ₱2,330,050.00; (d) non-recognition of 63 heads of buffaloes valued at ₱579,075.00; (e) non-revaluation of animals resulting to understatement of Biological Assets and Accumulated Surplus/(Deficit) accounts by ₱370,625.00; and (f) non-preparation of Quarterly Report of Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC), inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.
 - 1.1 Audit of Biological Assets accounts disclosed that Management had not fully addressed some of the following deficiencies raised in the previous year's Consolidated Annual Audit Report (CAAR), affecting the reliability of the General Ledger (GL) controlling account balance totaling ₱196,820,279.50 as of December 31, 2023. These deficiencies are discussed in detail below:
 - a) **Non-derecognition of disposed animals - ₱22,804,856.00**
 - 1.2 Section 6, Chapter 11 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I provides the following criteria on recognition of biological assets or agricultural produce:

Sec. 6. Recognition. *An entity shall recognize a biological asset or agricultural produce when and only when:*

 - a. *The entity controls the asset as a result of past events;*

In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning.
 - b. *It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and*
 - c. *The fair value or cost of the asset can be measured reliably.*
 - 1.3 On the other hand, Chapter 3 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume III provides that Biological Assets accounts are *credited upon consumption, sale, distribution, donation, losses and/or adjustments.*

- 1.4 Pursuant to its mandate to conserve, propagate and promote the carabao, the Philippine Carabao Center (PCC) has implemented a Dairy Buffalo Dispersal Program wherein dairy buffaloes with good genetics were distributed to qualified farmers and dairy cooperatives. The entrustment follows a scheme wherein the trustee is expected to take care of the animal, maintain animal and production records, provide necessary inputs and other obligations stipulated in the Dairy Buffalo Dispersal Contract and continuously engage in dairy business following approved practices and technologies provided by PCC.
- 1.5 Moreover, the Province-wide Carabao-Based Business Improvement Network (CBIN) Project and the Coconut-Carabao Development Project (CCDP) were also implemented by the PCC. The PCC adopted the Cooperative Conduit Scheme (CCS) to carry out the program effectively. Under this scheme, the Center identifies and selects a cooperative with a proven track record in terms of community development in coordination with the Local Government Unit (LGU) concerned. The cooperative will serve as a channel for the provision and distribution of the assets to qualified farmer-beneficiaries and will ensure that these assets will be used to improve the livelihood of the farmer-beneficiaries. Moreover, under the CCS, the ownership of the dairy buffaloes is transferred by the PCC to the Cooperative upon the signing of the agreement by both parties.
- 1.6 Under Article 2.1 of the Conduit Contract, it was stipulated that *the ownership of the dairy buffalo is transferred by the PCC to the Cooperative upon the signing of agreement by both parties.*
- 1.7 However, it was noted that 472 heads of animals with aggregate book value of ₱22,804,856.00 as of December 31, 2023 were still recorded in the books of accounts despite disposal of the said animals either through death (mortality), culling or transfer to the recipient Cooperatives and LGUs as shown in the Contracts and summarized as follows:

Table 1. Disposed animals still recorded in the books as of CY 2023

Regional Center	No. of Heads	Amount
PCC National Headquarters and Gene Pool (NHGP)	59	₱1,481,480.00
PCC at Central Luzon State University (CLSU)	124	8,687,550.00
PCC at Cagayan State University (CSU)	1	19,500.00
PCC at Central Mindanao University (CMU)	92	2,146,300.00
PCC at La Carlota Stock Farm (LCSF)	144	9,772,176.00
PCC at Mindanao Livestock Production Center (MLPC)	30	298,100.00
PCC at University of the Philippines- Los Baños (UPLB)	22	399,750.00
Grand Total	472	₱22,804,856.00

- 1.8 Details of the above-mentioned disposed animals not yet derecognized from the books of accounts are further discussed below:

i) *PCC-National Headquarters and Gene Pool (NHGP)- ₱1,481,480.00*

1.9 During the annual physical inventory of animals conducted by the Inventory Committee, there were 56 buffaloes valued at ₱1,406,405.00 and recorded under the Livestock Held for Consumption/Sale/Distribution account. However, said number of buffaloes were not found within the premises of the Center as those were already distributed to various farmer and/or cooperatives through its Dairy Buffalo Dispersal program or the “*Pamamahagi*” Scheme.

1.10 Additionally, three heads of island-born Bulgarian Murrah buffaloes totaling ₱75,075.00 were still retained in the Accounting records despite their transfer to the PCC at CLSU as per Authority to Release (ATR) No. 23-157 dated November 17, 2023. Interview with Management disclosed that Property Transfer Reports (PTRs) had not been issued simultaneously to formally document the transfer of these animals.

ii) *PCC at Central Luzon State University (CLSU) - ₱8,687,550.00*

1.11 Audit disclosed that 112 heads of animals with aggregate book value of ₱8,394,400.00 as of December 31, 2023 are still recorded in the books of accounts despite donation of the said animals to the recipient Cooperatives as shown in the Contracts dated September 12, 2023 and summarized as follows:

Table 2. Animals distributed by PCC at CLSU during CY 2023

Location of Recipient/Cooperative	No. of Heads	Book Value
Lubao, Pampanga	56	₱4,197,200.00
Castillejos, Zambales	56	4,197,200.00
Total	112	₱8,394,400.00

1.12 Moreover, result of physical count disclosed that 12 animals with a book value totaling ₱293,150.00 as of December 31, 2023, that were either dead, sold, or slaughtered during CY 2023, were not yet derecognized from the books of accounts as follows:

Table 3. Dead, sold or slaughtered animals during CY 2023

Mode of Disposal	Total No. of Heads	Book Value
Dead (Mortality)	2	₱52,000.00
Culled / Sold	3	65,650.00
Slaughtered for Meat Production	7	175,500.00
Total	12	₱293,150.00

1.13 The Property Officer averred that the records of sale and documents to support the derecognition of the above animals were already endorsed to the Accounting Unit for review and recognition in the books.

iii) *PCC at Cagayan State University (CSU)- ₱19,500.00*

1.14 On November 7, 2023, Management notified the Audit Team regarding the death of a male Bulgarian Murrah Buffalo bearing Ear Tag Number 2CS21034 and with book value of ₱19,500.00. The said animal was loaned to a farmer-recipient under the Dairy Herd Build-Up Program of PCC.

1.15 Upon verification of the Accounting records, it was noted that the cost of the buffalo remained unadjusted in the books as at year-end resulting to overstatement of the Livestock Held for Consumption/Sale/Distribution account by the same amount.

iv) *PCC at Central Mindanao University (CMU)- ₱2,146,300.00*

1.16 Inquiry with the Genetic Improvement Program Coordinator and review of relevant records disclosed that transfers, mortality and slaughter of buffaloes were not recognized in the books of accounts as summarized below:

Table 4. Unrecorded movement of animals during CY 2023

Particulars	No. of Heads	Amount
Transferred to other Center/Program dispersal	25	₱ 640,250.00
Mortality	27	570,700.00
Slaughtered	40	935,350.00
Total	197	₱2,146,300.00

1.17 Further analysis of these reconciling items revealed the following causes of its non-recording:

- During CY 2023, the Center disposed of the selected buffaloes amounting to ₱640,250.00 but failed to record them in the books of accounts due to the non-submission of supporting documents to the Bookkeeper;
- Based on Notices for Inspection, 27 heads of buffaloes amounting to ₱570,500.00 died due to various causes. Requests for relief from accountability were submitted by the GIP Coordinator as the accountable person for all of the incidents. The requests passed through the Bookkeeper for validation of book value only, but no dropping of the biological assets has been done; and
- It was noted that in the disposal of buffaloes through slaughter, only the collection of payments is recorded but no accounting entry has been made to drop the slaughtered buffaloes totaling ₱935,350.00.

v) *PCC at La Carlota Stock Farm (LCSF)- ₱9,772,176.00*

1.18 During CY 2023, the Audit Team conducted an ocular inspection and noted that the 144 dairy buffaloes were already distributed to the qualified cooperatives as follows:

Table 5. Dispersed buffaloes under the CBIN and CCDP of PCC at LCSF

Project	Location of Recipient/Cooperative	No. of Heads	Total Cost
Carabao-based Business Improvement Network (CBIN)	Victorias City, Negros Occidental	64	₱4,481,400.00
	Pamplona, Negros Oriental	64	4,353,368.00
Coconut-Carabao Development Project (CCDP)	Sagay City, Negros Occidental	16	937,408.00
Grand Total		144	₱9,772,176.00

1.19 Verification by the Audit Team of the Center's compliance with the PCC on the proper procedure of dispersal of these biological assets revealed the absence of a duly signed agreement between the PCC and the cooperative before the dispersal of the dairy buffaloes. The Project-In-Charge justified that due to insufficient facilities to accommodate the procured animal stocks, the Center resorted to dispersing them directly to the cooperatives. Consequently, due to the absence of a perfected agreement as evidence of the transfer of ownership of these buffaloes, the Accounting Staff included the cost of the already-dispersed dairy buffaloes in the Livestock Held for Consumption/ Distribution/Sale account.

vi) *PCC at Mindanao Livestock Production Center (MLPC)- ₱298,100.00*

1.20 A review of the submitted documents by the Accounting Unit showed that a total of ₱283,350.00 of the documented transfers were not yet deducted from this account. The amount consists of ₱160,000.00 transferred to PCC at CMU and ₱123,350.00 to various Local Government Units (LGU) supported with Invoice Receipt of Property (IRP), Authority to Release (ATR) and Memorandum of Agreement.

1.21 In addition, verification of the schedule of Other Deferred Credits as of December 31, 2023 disclosed that it includes buffalo with Ear Tag No. 2ML1007 amounting to ₱5,000.00, which was culled due to being unproductive under ATR No. 14-148 dated August 4, 2014.

vii) *PCC at University of the Philippines- Los Baños (UPLB)- ₱399,750.00*

1.22 Verification of the General Journal and Schedule of Breeding Stocks as of December 31, 2023 revealed that four deceased buffaloes identified by Ear Tag Numbers 2UP19024, 2UP15009, 8UP20005 and 2UP17021 and with a total book value of ₱107,250.00 were still recorded in the books as of year-end.

1.23 Furthermore, verification of available records indicated that 18 animals were slaughtered and fabricated in CY 2023. However, only four animals identified by Ear Tag Numbers 8UP20001, 2UP20008, 8UP10014 and 2UP11034 with total book value of ₱58,500.00 were properly derecognized from the Breeding Stocks account with a corresponding recognition of Loss of Asset in the same amount. A total of 14 breeding stocks aggregating ₱292,500.00 remained in the books, with the Loss unrecorded.

1.24 In summary, it was observed that due to the disposal of deceased, culled, sold, transferred or dispersed animals, the PCC has ceased to exercise control over the dairy buffaloes. Consequently, the buffaloes were not considered assets of the Agency and should be derecognized in the books.

b) Variance between Accounting and Property records- ₱5,788,850.00

1.25 The Statement of Financial Position as of December 31, 2023 showed the balance of Breeding Stocks account in the amount of ₱11,047,825.00. However, comparison of the supporting schedule from the Accounting records as against the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for Breeding Stocks amounting to ₱5,258,975.00, disclosed a discrepancy of ₱5,788,850.00 representing 202 heads of buffaloes.

1.26 It was disclosed that after the physical count, the reconciliation of records between the Accounting and Property Sections was not conducted to determine and identify the cause of discrepancy of 202 animals. The designated Property Officer explained that the material discrepancies were due to the dispersal of animals to identified Cooperatives under the CCDP and CBIN projects and to various farmer-recipients as part of the Buffalo Dispersal Program of the PCC at UPLB.

1.27 The existence of unreconciled discrepancies amounting to ₱5,788,850.00 cast doubts on the reliability and the fairness of presentation of the year-end balance of the Breeding Stocks account.

c) Unsubstantiated derecognition of dispersed and culled animals- ₱2,330,050.00

1.28 Section 4.6 of Presidential Decree (P.D.) No. 1445 states that *Claims against government funds shall be supported with complete documentation.*

1.29 During the CY 2023, the PCC-NHGP derecognized 80 heads of buffaloes with total book value of ₱2,055,750.00 in support of their Buffalo Dispersal Programs, including adjustments for those already dispersed to the farmer-beneficiaries in the prior years. These were recorded in the books with essentially similar particulars stating: "*to derecognize a number of animals transferred to various recipients as bull loan program*", regardless of whether the animal is male (bull) or female (heifer/cow).

1.30 Inquiry with the Accountant disclosed that they are still in the process of completing the required supporting documents. Nonetheless, the Journal Entry Vouchers (JEVs) submitted were not supported with the required documentation to prove that the conditions for the transfer of ownership had been met or fulfilled by the farmer-beneficiaries.

1.31 Without proper documentations, the propriety of animals valued at ₱2,055,750.00 derecognized from the books of accounts could not be fully ascertained.

1.32 On the other hand, various notices for inspection submitted by the PCC at Central Luzon State University (CLSU) disclosed that the request for culling of two heads of buffaloes were not consistent with the documents attached to the request as follows:

Table 6. Culled animals with inconsistent supporting documents

Date of Request	Ear Tag No.	Book Value	Date of ATR	Date Disposed
03-Mar-23	IT201432	₱30,875.00	11-Apr-23	11-Sep-23
07-Aug-23	2CL16021	32,175.00	11-Apr-23	n/a
Total		₱63,050.00		

- 1.33 Based on the ATRs vis-à-vis the Quarterly Report of Biological Assets (QRBA) submitted to the Audit Team during CY 2023, there were inconsistencies between the animals requested for culling and the reported status in the QRBA, resulting to difficulty in ascertaining the existence of animals at a certain period of time.
- 1.34 Moreover, review of pertinent documents disclosed that culling of six heads of buffaloes was not supported with the Inventory and Inspection Report of Unserviceable Properties (IIRUP) or Disposal Committee Resolution.
- 1.35 In the absence of IIRUP or Disposal Committee Resolution, the Audit Team could not fully evaluate the Center's compliance with minimum requirements on proper culling of animals.

d) Non-recognition of 63 heads of animals- ₱579,075.00

- 1.36 Chapter 27 of International Public Sector Accounting Standards (IPSASs) provides for the guidelines in the recognition of gains and losses arising from initial recognition of a biological asset. Section 31 thereof states that *a gain may arise on initial recognition of a biological asset, such as when a calf is born.*
- 1.37 However, during the annual physical inventory of animals conducted by the Inventory Committee of PCC at CLSU, CMU and USF, a total of 63 heads of buffaloes amounting to ₱579,075.00 were physically counted but were not yet recognized in the Accounting records as summarized in the table below:

Table 7. Unrecorded animals as of December 31, 2023

Regional Center	No. of Heads	Amount
PCC at Ubay Stock Farm (USF)	51	₱256,025.00
PCC at Central Mindanao University (CMU)	3	79,950.00
PCC at Central Luzon State University (CLSU)	9	243,100.00
Grand Total	63	₱579,075.00

- 1.38 Based on the records of personnel in-charge of farm operations, there are 51 heads of calves amounting to ₱256,025.00 that were born from July to December 2023. The Property Officer explained that these were not recognized in the books since calves under six months old have higher incidence of mortality as compared with adult buffaloes. Be that as it may, it should be reminded that recording and reporting of financial transactions shall be in accordance with the relevant provisions of IPSAS.

1.39 In the same manner, the Accounting Unit of PCC at CMU failed to recognize the value of three calves born during CY 2023 with book value totaling ₱79,950.00 due to non-submission of transaction documents such as Calf Production Report.

1.40 Moreover, nine heads of male buffaloes were not yet recognized in the Accounting records of PCC at CLSU due to non-submission of the Property Transfer Reports (PTRs). On the other hand, the Property Section of the PCC-NHGP disclosed that PTR No. 2023-02-001B dated February 28, 2023, was indeed issued and received by the PCC at CLSU documenting the transfer of the said animals to the Center.

e) Undervaluation of animals- ₱370,625.00

1.41 Section 7, Chapter 11 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs) Volume I, provides, among others, the guidelines on the recognition and valuation of biological assets and agricultural produce:

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case described in paragraph 34 where the fair value cannot be measured reliably. (Pars. 16 and 34, PPSAS 27)

xxx

In all cases, agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying PPSAS 12-Inventories or another applicable Standard.

1.42 The Program Management Committee (PMC) of the PCC approved its Resolution No. 01 series of 2023 on December 2023 which provides the revised guidelines for the valuation, acquisition and sale/disposal of imported and island born breeding and non-breeding stocks of water buffaloes, tabulated as follows:

Table 8. Fair Value Computation of Buffaloes by Age and Type of Breed

Age (in months)	Fair value less cost to sell (in Philippine Peso)		
<i>For Imported Heifers and Bulls, Riverine Buffaloes</i>			
1 to 35			61,750.00
36 to 47			55,757.00
48 to 59			49,400.00
60 to 95			46,312.50
more than 96			30,875.00
<i>For Island Born Heifers and Bulls</i>			
	Riverine Buffaloes	Swamp Buffaloes	Crossbred Buffaloes
1 to 11	5,500.00	3,300.00	4,675.00
12 to 17	21,450.00	10,725.00	12,155.00
18 to 35	25,025.00	14,300.00	21,450.00
36 to 95	32,135.00	21,450.00	28,600.00
more than 96	10,725.00	7,150.00	7,150.00

- 1.43 Verification and re-computation of the amounts reflected in the Subsidiary Ledger (SL) for the *Breeding Stocks* account of PCC at CLSU disclosed that 18 heads of buffaloes were not revalued based on PCC PMC Resolution No. 1 series of 2023 which resulted to understatement of the account by ₱22,575.00.
- 1.44 Similarly, the PCC at USF recognized the fair value less cost to sell of 71 heads of calves born during CY 2023. However, verification and recomputation of the amount recorded disclosed discrepancies in the valuation of the said number of calves which resulted to understatement of Breeding Stocks account by ₱348,050.00 as at year-end.
- 1.45 The Accounting and Property Sections of PCC at CLSU and USF admitted that they failed to review and reflect such changes in the valuation of animals as at year-end, resulting to understatement of the Biological Assets and Gain from Changes in Fair value less Cost to Sell due to Physical Change accounts by ₱370,625.00 as at year-end.

f) Non-preparation of Quarterly Report of Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC)

- 1.46 Section 11, Chapter 11 of the GAM for NGAs, Volume I, provides the Narrative Procedures for the acquisition and recognition of biological assets. It states, among others, that the Biological Asset's Caretaker/Officer in-Charge shall:

Upon receipt of biological assets and based on the approved Inspection and Acceptance Report, Delivery Receipt and other supporting documents, records the biological asset in the BAPC (Appendix 78). Moreover, he shall prepare QRBA (Appendix 79) containing, among others, the balances at the beginning of the quarter and the changes in fair value of the biological assets due to physical changes such as a) growth, b) degeneration, c) production, and d) procreation.

- 1.47 Information gathered by the Audit Team of PCC at NHGP and USF disclosed that BAPCs were not regularly updated and could not be used as a basis for the preparation of the QRBA. Be that as it may, the QRBA was also not prepared and submitted despite the prior year's recommendation. Management of the said Regional Centers explained that due to the lack of manpower, afore-cited activities were not undertaken. In lieu thereof, animal health records are maintained to serve as the Center's database for monitoring and reporting. Those records, however, contained data which were different from the requirements of the BAPC; thus, there is a need to comply with the prescribed format. The health record was maintained for each buffalo, while the BAPC shall be maintained for each type of biological asset, wherein the data shall be summarized in the QRBA.
- 1.48 The non-preparation of QRBA and non-maintenance of BAPC prevented the Audit Team from ascertaining the existence and accuracy of the Center's biological assets as of a given period.

- 1.49 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
- a) **Advise the Accounting Section of PCC at NHGP, CLSU, CMU, CSU, LCSF, MLPC and UPLB to derecognize from their respective records the value of animals that were either dead, sold, slaughtered or dispersed upon securing the necessary supporting documents;**
 - b) **Direct the PCC at UPLB to conduct reconciliation to eliminate the variance amounting to ₱5,788,850.00 between Accounting and Property records;**
 - c) **Instruct the Accounting Section of PCC at NHGP and CLSU to secure and submit the necessary documents to support derecognition of animals with aggregate book value of ₱2,330,050.00;**
 - d) **Require the Accounting Section of PCC at CLSU, CMU and USF to prepare necessary adjusting entries to recognize the value of 63 heads buffaloes amounting to ₱579,075.00;**
 - e) **Advise the Accounting and Property Units of PCC at CLSU and USF to consistently apply the valuation policy established on Biological Assets to eliminate undervaluation of animals; and**
 - f) **Instruct the Property Unit/Farm Supervisors of PCC at NHGP and USF to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA).**
- 1.50 During the Exit Conference, the Executive Director committed to instruct the Center officials concerned to comply with the audit recommendations. The Administrative and Financial Management Division (AFMD) of PCC-NHGP has also disclosed that they will coordinate with the Accounting and Property Units of the Regional Centers concerned to effect the necessary adjustments in their records, as warranted.
- 2. Intangible Assets account of the Center was understated by ₱11,001,634.09 as of December 31, 2023, due to: (a) non-capitalization of various Computer Software and Websites; and (b) non-valuation of registered Intellectual Properties (IPs), inconsistent with Sections 4 and 5, Chapter 12 of the Government Accounting Manual (GAM) for National Government Agencies (NGAS), Volume I.**
- 2.1 Sections 2 and 3, Chapter 12 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I defines Intangible Assets as *identifiable non-monetary asset without physical substance. Common examples of intangible assets are computer software, patents, copyrights, franchise, motion picture films, trademarks or brand names and the like.*

- 2.2 Moreover, Sections 4 and 5, Chapter 12 of the same Manual provide the following recognition and measurement criteria on Intangible Assets, viz:

Sec. 4. Recognition of Intangible Asset. *An intangible asset shall be recognized if, and only if:*

(a) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and

(b) The cost or fair value of the asset can be measured reliably.

Sec. 5. Measurement of an Intangible Asset. *An intangible asset shall be measured initially at cost. If an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition shall be measured at its fair value as at that date.*

a) Non-capitalization of Computer Software and Websites

- 2.3 The Audit Team conducted an inventory of existing software application being utilized by various Division/Sections of the PCC-NHGP as of December 31, 2023, and noted that some of those were not capitalized as Computer Software in the books of accounts but was erroneously recorded as outright expense in the total amount of ₱10,251,634.09.
- 2.4 Moreover, outsourced services totaling ₱750,000.00 for the development of Websites maintained by the Center were directly charged to Other Professional Services account instead of capitalizing the same as Websites under the Intangible Assets accounts.
- 2.5 Interview with the Chief Accountant disclosed that capitalization of the said expenditures on various software application and websites was overlooked due to uncertainty on the charging of appropriate accounts vis-à-vis the fund source. Since the budget for the contract was sourced from Maintenance and Other Operating Expenses (MOOE) allocation, the account used was expense (Other Professional Services or Consultancy Services) instead of capitalizing it to an asset account (Computer Software or Website).
- 2.6 Be that as it may, accounting treatment should be based on the substance of the transaction (proper capitalization of expenditure) rather than its form (based on budget source).

b) Non-valuation of registered Intellectual Properties (IPs)

- 2.7 Intellectual Property (IP) often represents a valuable asset for an organization. IP assets include patents, utility models, trademarks, industrial designs, copyrights and prototypes.
- 2.8 As at year-end, the Intellectual Property Office of the Philippines (IPOP HL) has granted several IP Registrations to the PCC-NHGP in recognition of the inventions and artistic works initiated by its researchers, scientists and authors. These are

mostly products of various research and development (R&D) activities in support of the agency's mandate towards conservation, propagation and promotion of the Philippine carabao as a source of milk, meat, draft power and hide for the benefit of rural farming communities. Summarized below are the IP assets of the Center with valid Registration as at year-end:

Table 9. Intellectual Property (IP) Assets as at December 31, 2023

IP Type	Term/Validity of Registration	No. of Registered Applications
Utility Model	7	6
Trademark	10	12
Copyright	Author's lifetime plus 50 years after author's death	18
Total		36

- 2.9 However, it was noted that the aforementioned IP assets were not yet recognized in the books of accounts due to lack of adequate knowledge and training on IP valuation as explained by the Chief Accountant.
- 2.10 Relatively, Joint Administrative Order No. 001 dated June 26, 2012 issued by the Department of Science and Technology (DOST), Department of Trade and Industry (DTI) and IPOPHL provides guidelines on intellectual property valuation, commercialization and information sharing.
- 2.11 Section 2.a, Chapter III of the said Joint Administrative Order states, among others, that *Intellectual Property (IP) valuation must be done in order to enable government funding agencies (GFAs) and research and development institutions (RDIs) to prepare for and properly negotiate IP commercialization or technology transfer agreements xxx.*
- 2.12 Meanwhile, it is worthy to mention that PCC Advisory Board approved the creation of Intellectual Property and Technology Business Management (IP-TBM) Office on August 14, 2023 to lead in the overall implementation of the Institutional IP Policy covering management, protection, use and commercialization of IPs and IPRs generated from R&D activities at PCC-NHGP and its Regional Centers.
- 2.13 Interview with the Head of IP-TBM Office also disclosed that since the Office's recent creation, they have yet to file for protection of other existing IP assets of the Agency such as copyrights and patents. However, valuation of the registered IPs could not be made as they are yet to attend trainings conducted by the IPOPHL regarding IP valuation.
- 2.14 In summary, non-capitalization of various Computer Software and Websites resulted in the understatement of Computer Software, Websites and Accumulated Surplus/(Deficit) accounts by ₱10,251,634.09, ₱750,000.00 and ₱11,001,634.09, respectively, as at year-end. Moreover, non-recognition of various IP assets not only understated the Intangible Assets accounts by undetermined amount but also may result in forgone opportunities for revenue generation as the agency may not explore or capitalize on the full potential of its intellectual property portfolio.

2.15 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**

- a) **Instruct the Head of Information, Communication, and Technology Section (ICTS) to maintain an inventory of all outsourced and internally-generated computer system and websites for timely monitoring of the status of implementation or development;**
- b) **Direct the Accountant to (i) check the related Contract Agreements and collaborate with the ICTS on the status of software or website development including analysis of research and development costs for proper recognition in books of accounts; (ii) coordinate with the Intellectual Property and Technology Business Management (IP-TBM) Office for proper recognition of registered IP assets; and (iii) prepare the necessary adjusting entries to recognize the Computer Software and Websites in the books of accounts; and**
- c) **Advise the Head of IP-TBM Office to (i) initiate the creation of an interdisciplinary team for the conduct of IP valuation; and (ii) enhance their level of training on areas of patent search and basic claim drafting by attending training workshops spearheaded by the Intellectual Property Office of the Philippines (IPOP HL).**

2.16 During the Exit Conference, Management acknowledged the need to provide reasonable bases for the valuation of the Agency's IP Assets towards commercialization. The Head of IP-TBM likewise highlighted the importance of IP valuation considering that most of Agency's programs, projects and activities (PPAs) are focused on research and development (R&D). As part of the result of these R&D projects, IP rights such as Utility Models, Trademarks and Copyrights are being registered with the IPOP HL for protection.

3. **Deficiencies were noted on the accounting and management of Property, Plant and Equipment (PPE) accounts with carrying amount totaling ₱930,179,698.69 of the PCC Regional Centers at NHGP, CLSU, DMMMSU, LCSF, MLPC, MMSU, UPLB, USM and WVSU such as (a) non-recognition of PPE items totaling ₱2,322,616.99; (b) incorrect provision of depreciation for PPE items resulting to understatement of PPE accounts by ₱2,466,307.85; (c) non-derecognition of donated or transferred equipment and vehicles totaling ₱1,214,400.00; (d) uninsured properties totaling ₱76,900,376.31; (e) existence of idle/unutilized structures amounting to ₱6,450,582.13; and (f) non-disposal of unserviceable properties valued at ₱6,634,247.84, which is not in harmony with the standards called for under certain provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, COA Circular No. 2020-006 dated January 31, 2020 and the Property Insurance Law.**

3.1 In the audit of the Property, Plant and Equipment (PPE) accounts of the PCC and its Regional Centers, the following carrying amounts were noted based on the year-end financial statements; to wit:

Table 10. Carrying Amount of PPE as of December 31, 2023

PCC Regional Center	Carrying Amount
National Headquarters and Gene Pool (NHGP)	₱635,521,427.95
Central Luzon State University (CLSU)	59,660,283.56
Don Mariano Marcos Memorial State University (DMMMSU)	13,341,006.10
La Carlota Stock Farm (LCSF)	30,640,403.72
Mindanao Livestock Production Center (MLPC)	22,231,844.19
Mariano Marcos State University (MMSU)	29,147,937.61
University of the Philippines-Los Baños (UPLB)	67,558,163.12
University of Southern Mindanao (USM)	37,943,778.72
West Visayas State University (WVSU)	34,134,853.72
Grand Total	₱930,179,698.69

3.2 Verification of the PPE accounts disclosed that Management had not fully addressed some of the deficiencies raised in the previous year's CAAR, affecting the reliability of the related General Ledger (GL) controlling account balance as at year-end. These deficiencies include the following:

a) Non-recognition of PPE items - ₱2,322,616.99

3.3 Section 8, Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I provides, among others, the following recognition principles applicable to purchase of PPE:

a. *On Cash Basis.* PPE acquired through cash purchase shall initially be recognized at cost which includes cash paid plus all costs incurred in bringing the asset to the location necessary for its intended use such as delivery, installation costs, etc. These are recognized in the books of accounts as PPE after inspection and acceptance of delivery.

Xxx

g. *Construction of PPE.* During the construction period, all expenses incurred in relation to the construction of the PPE shall be taken up in the books as Construction in Progress (CIP) with the appropriate asset classification. As soon as the construction is completed, the "Construction in Progress" account shall be reclassified to the proper asset account. Likewise, all expenses such as interests, license fees, etc., during the construction period shall be capitalized.

3.4 As part of its Carabao-based Business Improvement Network (CBIN) project, PCC at UPLB has implemented the construction project with the following details:

Project Title : Construction of Dairy Processing Plant and Product Outlet (Dairy Box Type)
Project Location : Boac, Marinduque
Contract Price : ₱2,646,188.16

- 3.5 The construction commenced on June 16, 2023 and is on-going as at December 31, 2023. Based on the approved Statement of Work Accomplished (SWA) and Certificate of Inspection of the PCC Inspectorate Team and the Office of Provincial Engineer of Marinduque, it was disclosed that the actual physical status of the project is estimated to be at 78.45% completion. Upon inspection dated November 14, 2023, the equivalent cost incurred was ₱2,075,892.63 thus, recommended for payment.
- 3.6 However, examination of the year-end SFP revealed that the appropriate CIP account for the cost of the said on-going project of the Center was not recognized. The Bookkeeper of PCC at UPLB explained that she prepared the corresponding Disbursement Voucher (DV) but the same was not processed for payment by year-end. Consequently, the Bookkeeper overlooked the recording of both the CIP asset and the corresponding liability before closing the book of accounts.
- 3.7 On the other hand, review of the year-end Financial Statements of the PCC at DMMMSU and LCSF disclosed that the following fully depreciated properties were not reclassified to its proper PPE accounts as follows:

Table 11. Fully depreciated properties not reclassified to PPE accounts

Regional Center	Property Description	Net Book Value
PCC at DMMMSU	Various Unserviceable Equipment	₱ 86,724.36
PCC at LCSF	Researcher's Office	80,000.00
	Motor Pool/Isolation/Quarantine Area	80,000.00
Total		₱246,724.36

- 3.8 Interview with the PCC at DMMMSU concerned personnel disclosed that said equipment were unserviceable for years (prior to CY 2016) and the amounts therein correspond to the 10 percent residual value.
- 3.9 Meanwhile, interview with the Accounting Unit personnel of PCC at LCSF disclosed that the non-classification of the Researcher's Office and Motor Pool/Isolation/Quarantine Area to their proper PPE accounts was due to unavailability of documents as basis in determining the details of their acquisition.
- 3.10 The non-recording of the on-going project amounting to ₱2,075,892.63 in the CIP account and the non-reclassification of unserviceable or fully depreciated PPE items totaling ₱246,724.36 to its proper PPE accounts affected the fair presentation of PPE controlling accounts as at year-end.

b) Incorrect provision of depreciation for PPE items- ₱2,466,307.85

- 3.11 Section 24, Chapter 10 of the GAM for NGAs, Volume I provides that "*xxx major repairs shall be added to the carrying amount of the PPE and shall be depreciated over the remaining life of the PPE.*"
- 3.12 Moreover, Section 27, Chapter 10 of the same Manual provides the following:

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation. Xxx

- 3.13 As of December 31, 2023, the carrying amount of Buildings of PCC at UPLB was carried in the Statement of Financial Position at ₱23,859,901.98 and is composed of the following:

Table 12. Existing Buildings of PCC at UPLB as of December 31, 2023

Description	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Dairy Processing Plant at Bansud, Oriental Mindoro	₱3,287,993.38	₱841,635.05	₱2,446,358.33
PCC at UPLB Milka Krem Outlet and Dairy Processing Plant	12,997,557.83	3,224,116.34	9,773,441.49
PCC at UPLB Administrative Building	19,199,430.29	12,970,280.96	6,229,149.33
Semen Laboratory and Bull Barn	8,106,296.95	2,695,344.12	5,410,952.83
Total	₱43,591,278.45	₱19,731,376.47	₱23,859,901.98

- 3.14 Verification of the General Journal and PPE Lapsing Schedule disclosed that expenses amounting to ₱5,780,394.53 associated with the renovation of the PCC at the UPLB Administrative Building were included in the overall cost of the building, which was originally carried at ₱13,419,035.76 (gross). The construction, which was completed on August 7, 2023 as confirmed in the Certificate of Completion, has increased the total cost of the building to ₱19,199,430.29.

- 3.15 Consequently, depreciation for CY 2023 was calculated based on the estimated useful life of the capital asset of 30 years, instead of its remaining useful life of nine years and one month, counting from the date of completion of the building renovations. This retrospective application of depreciation presumes that the cost of major repairs was included in the total cost of the asset from the original acquisition date. Hence, since the Administrative Building was already depreciated for 21 years and four months as of December 31, 2023, the capitalized cost of major repairs was also depreciated for the same period, when it should have been depreciated for only five months counting from August 7, 2023. The details are shown in the table below:

Table 13. Computation of Depreciation Expense for CY 2023

Particulars	Depreciation per books	Depreciation per recomputation
Acquisition Date	August 31, 2002	August 7, 2023
Estimated Life	30 years	nine years and one month
Estimated Life (in months) [A]	360	109
Acquisition Cost [B]	₱5,780,394.53	₱5,780,394.53
Residual Value (5%) [C=B*5%]	289,019.73	289,019.73
Depreciable Amount [D=B-C]	5,491,374.80	5,491,374.80
Monthly Depreciation [E=D/A]	15,253.82	50,379.59
Months Used [F]	256	5
Depreciation [G=E*F]	<u>₱3,904,977.64</u>	<u>₱251,897.93</u>

Depreciation per books	₱3,904,977.64
Depreciation per recomputation	<u>251,897.93</u>
Overstatement in Depreciation Expense	₱3,653,079.71

- 3.16 The reason for this inaccuracy is due to the major repairs being recorded under the same Subsidiary Ledger (SL) as capital asset in the electronic New Government Accounting System (eNGAS). Since the eNGAS calculates monthly depreciation based on the information input from SL and the original building was carried at an acquisition date of August 31, 2002, there has been confusion on the part of the Bookkeeper of PCC at UPLB regarding the depreciation of the additional repair costs starting from the original acquisition date.
- 3.17 On the other hand, the allowance for depreciation for PPE items of PCC-NHGP with a carrying amount of ₱37,258,066.68 was not accurately provided. The affected PPE accounts are broken-down as follows:

Table 14. Errors in depreciation provided for some PPE items

Affected PPE account	Qty	Net Variance / Over(Under)	
		PPE Account	Depreciation Expense
Other Structures	1	₱ 4,748.33	₱ (1,582.76)
Office Equipment	19	66,621.08	(35,052.26)
ICT Equipment	97	333,078.50	(97,314.91)
Technical and Scientific Equipment	202	682,865.21	(458,492.60)
Other Equipment	34	95,231.06	(47,855.46)
Motor Vehicles	3	4,227.67	(2,113.86)
Total	356	₱1,186,771.86	₱ (642,411.84)

- 3.18 The Accountant of PCC-NHGP disclosed that checking the accuracy of depreciation provided for PPE items were overlooked since they rely on the automatic computation of depreciation as provided in the e-NGAS.
- 3.19 The foregoing erroneous depreciation provided for some PPE items of PCC at UPLB and NHGP resulted to net understatement of the PPE controlling accounts by ₱2,466,307.85 as at year-end.

c) Non-derecognition of donated or transferred equipment and vehicles- ₱1,214,400.00

- 3.20 Validation of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2023 disclosed that three units of equipment and two units of vehicles totaling ₱736,800.00 were not physically found within the premises of the PCC at CLSU as summarized in the table below:

Table 15. PPE items donated/transferred by PCC at CLSU during CY 2023

Particulars	Cost
Ice Cream Machine, three Nozzles (Gelato), SN: 202309203	₱99,000.00
Ice Cream Machine, three Nozzles (Gelato), SN; SD20233051100546	99,000.00
Milk Processing Equipment (Form-Fill-Seal Machine, Pasteurizer Tank, Hot Water Generator)	416,000.00
Motorcycle, Honda TMX 125 1	61,400.00
Motorcycle, Honda TMX 125 2	61,400.00
Total	₱736,800.00

- 3.21 Inquiry with the Property Officer of PCC at CLSU disclosed that these items were already distributed to various Dairy Cooperatives as beneficiaries under the Carabao-Based Enterprise Development (CBED) Project to support the establishment of Dairy Processing Outlets in Luzon. The corresponding Property Transfer Reports (PTRs) were issued to the concerned Local Government Units (LGUs) where the outlets are located. However, due to pending processing and delayed submission of the required documentation, these items were not yet taken up in the books of accounts as at year-end.
- 3.22 Meanwhile, inspection conducted by the Audit Team assigned at PCC at West Visayas State University (WVSU) on January 19, 2024 disclosed that nine units of Liquid Nitrogen Mother Tanks totaling ₱477,600.00 were not found during the year-end physical inventory count.
- 3.23 According to the Property Unit of the PCC at WVSU, the items not found at station were already transferred to the PCC-NHGP. However, said transfer was not properly documented to substantiate the dropping in the books of accounts of PCC at WVSU.

d) Uninsured capital assets- ₱76,900,376.31

- 3.24 Section 5 of Republic Act (R.A.) No. 656, otherwise known as the “Property Insurance Law” dated June 16, 1951, as amended by the Presidential Decree (P.D.) No. 245 dated July 13, 1973, requires all government agencies, except municipal governments below first-class category, to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the Government Service Insurance System (GSIS).
- 3.25 In this connection, COA Circular No. 2018-002 dated May 31, 2018 was issued by the Commission reiterating adherence to R.A. No. 656, and defines “Property” in Item 4.0 as including:
- “Vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein (i.e., furniture, fixtures, equipment, supplies and materials, etc.) or in buildings rented by the government, or properties in transit, the ownership of which had already passed to the government.”*
- 3.26 Further, Item 5.1 (b) of the same Circular prescribes the submission of PIF as the basis for the assessment of general insurance coverage over all insurable assets, properties, and interests of the government.
- 3.27 As at December 31, 2023, the Statement of Financial Position of the PCC at UPLB presented Buildings and Other Structures accounts with a total acquisition cost of ₱73,931,146.89. Verification of insurance premiums paid revealed that these insurable assets were not covered nor insured with the GIF of the GSIS for CY 2023, as summarized in the succeeding table:

Table 16. Uninsured properties of the PCC at UPLB as of CY 2023

Description	Acquisition Cost
Buildings	₱43,591,278.45
Other Structures	30,339,868.44
Total	₱73,931,146.89

- 3.28 In addition, the Management of PCC at UPLB failed to submit to the Audit Team its PIF on or before the prescribed deadline on April 30, 2023, as basis of the GSIS for the assessment of the general insurance coverage over the insurable assets, properties, and interests of the agency, contrary to COA Circular No. 2018-002.
- 3.29 Meanwhile, review and analysis of the RPCPPE vis-a-vis the PIF of PCC at MMSU for CY 2023 showed that insurable properties totaling ₱2,969,229.42 were not included in their PIF, which the GSIS used in determining the insurable coverage and premiums for CY 2023. These properties were constructed under the CBIN Program and according to the Coordinator/Bookkeeper there was no insurance allotted for these. Details are as follows:

Table 17. Uninsured properties of the PCC at MMSU as of CY 2023

Articles/Description	Location	Acquisition Date	Acquisition Cost
Dairy Processing Plant (CBIN 2019)	Cabugao, Ilocos Sur	October 4, 2021	₱1,279,482.61
Dairy Processing Plant (CBIN 2020)	Abra, Ilocos Sur	March 18, 2022	1,689,746.81
Total			₱2,969,229.42

- 3.30 In effect, the non-coverage of insurable properties with the GIF insurance of the GSIS exposed the Regional Centers at UPLB and MMSU to the unnecessary risk of not being indemnified in case of destruction, damages to, or loss of property due to acts of nature, accidents, man-made calamities and/or fortuitous events.

e) Existence of idle/unutilized structures- ₱6,450,582.13

- 3.31 Section 2 of the P.D. No. 1445 states that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

- 3.32 On January 6, 2015, the PCC-NHGP purchased a land with an area of 15.3846 hectares or 153,846 square meters amounting to ₱20,000,000.00. The said land was located at Sitio Saranay, Barangay Sto. Niño 3rd, San Jose City, Nueva Ecija to be utilized for the construction of a Bull Farm.

3.33 Meanwhile in June 2016, another parcel of land with an area of 15,572 square meters was purchased for ₱2,024,360.00, to be utilized as additional area for pasture. Said area was adjacent to the location of previously purchased land.

3.34 However, validation conducted by the Audit Team disclosed that the additional lot for pasture was utilized only once since it was acquired in June 2016. The Livestock Biotechnology Research and Animal Facility (LBRAF) Coordinator disclosed that the subject land was not suitable for pasture area due to its soil condition and insufficient forages as shown by the following photo taken at the site:



Additional land for pasture area

3.35 The continued non-utilization of additional pasture area undermines the purpose for which it was acquired, resulting to inefficient use of government resources.

3.36 Furthermore, the Milking Barn facility located inside the LBRAF was not yet utilized since it was constructed in CY 2016. The LBRAF Coordinator explained that since majority of the herd population at the Bull Farm are male or bulls and some were just retrieved from farmers due to poor body condition, no lactating animals were brought to the Barn for milk collection as shown below:



Milking Barn at the LBRAF

- 3.37 It could be gleaned from the immediately preceding photo that the facility remained unutilized as manifested by the absence of necessary supplies and milking equipment inside the building.
- 3.38 Moreover, the Audit Team at PCC at Don Mariano Marcos Memorial State University (DMMMSU) found that several areas within the Dairy Processing Plant and Product Outlet also known as “Dairy Box” with an aggregate cost of ₱3.4 million, located in Cataguingtingan, Rosario, La Union, has remained unutilized which includes the processing area, product outlets, storage facility and the like, as well as the installed equipment therein.
- 3.39 It was found that the Dairy Box has not served its main purpose of milk collection and processing for at least two years since its completion. Its marketing purpose remains to be seen as it offers only a few milk and non-milk products.
- 3.40 The existence of idle or unutilized properties was not harmonized with the effective use of government resources resulting to non-realization of intended gains which could be derived from the assets.

f) Non-disposal of unserviceable properties- ₱6,634,247.84

- 3.41 Section 79 of P.D. No. 1445, otherwise known as the Government Auditing Code of the Philippines, provides:

When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission.

- 3.42 Further, the Manual on Disposal of Government Property as embodied in National Budget Circular No. 425 dated January 28, 1992 was issued to guide agencies in their disposal undertakings. Part I(A) thereof provides that:

Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation of its value. A systematic and timely disposal will yield benefits in terms of, among others, a higher appraised value and by enabling storage areas available for other purposes.

- 3.43 As of December 31, 2023, unserviceable properties of PCC Regional Centers at NHGP, CLSU, LCSF, MLPC UPLB and USM totaling ₱6,634,247.84, as reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) remained undisposed contrary to Section 79 of P.D. No. 1445, as follows:

Table 18. Undisposed unserviceable PPE items as of CY 2023

Regional Center	No. of PPE items	Cost/ Net Book Value
PCC-National Headquarters and Gene Pool (NHGP)	20	₱1,432,861.86
PCC at Central Luzon State University (CLSU)	7	684,577.78
PCC at La Carlota Stock Farm (LCSF)	5	2,054,620.00
PCC at University of the Philippines- Los Baños (UPLB)	17	2,225,288.20
PCC at University of Southern Mindanao (USM)	3	236,900.00
Total	49	₱6,634,247.84

- 3.44 This lack of familiarity among agency officers and employees on the disposal and appraisal proceedings, particularly in preparing the requisite documents for disposal, primarily impeded the immediate disposition of unserviceable properties in CY 2023.
- 3.45 The delay in the disposal has diminished the value of the afore-cited properties due to prolonged exposure to natural elements. The proceeding could have facilitated decongestion of storage spaces and rid the office surroundings of unnecessary clutter. On the other hand, if such have been sold in public auction or negotiated sale, the Center could have generated additional income for the government.
- 3.46 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
- (a) Require the Accounting Unit of the PCC at NHGP, DMMMSU, LCSF and UPLB to recognize the corresponding value of equipment and buildings totaling ₱2,322,616.99;**
 - (b) Direct the Accounting Unit of the PCC at NHGP and UPLB to (i) revisit the Schedule of PPEs to ensure the accuracy of recognized depreciation for each PPE item; and (2) draw the necessary adjusting entries in the books of accounts;**
 - (c) Advise the Accounting Unit of the PCC at CLSU and WVSU to draw necessary adjusting entry to derecognize the value of donated or transferred equipment and vehicles amounting to ₱1,214,400.00;**
 - (d) Instruct the Property Office of PCC at MMSU and UPLB to include in the Property Inventory Form (PIF) the insurable properties totaling ₱76,900,376.31 and submit the same to the GSIS and to the Office of the Resident Auditor, not later than April 30 of each year, pursuant to COA Circular No. 2018-002;**
 - (e) Advise the Center Directors of PCC at NHGP and DMMMSU to formulate plan of actions to utilize idle facilities and structures in order not to put into waste the resources invested for the purpose; and**

- (f) Instruct the Property Unit and Disposal Committee of the PCC at NHGP, CLSU, LCSF, MLPC, UPLB and USM to (i) expedite the request for the timely disposal of unserviceable PPE items to prevent further loss and deterioration of the same; and (ii) prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) for the said unserviceable properties carried in the PPE accounts and submit the same together with necessary supporting documents for review and verification of the Audit Team.
- 3.47 During the Exit Conference, the Accountant of PCC-NHGP disclosed that instructions will be provided to the concerned Regional Centers to effect the necessary adjustments in the Accounting and Property records. The respective Management of Regional Centers concerned also agreed to comply with the recommendations of their Audit Team.
4. **Deficiencies in inventory management were observed during the review of control records and validation of the Report on the Physical Count of Inventories (RPCI) of the PCC National Headquarters and Gene Pool (NHGP) and Regional Centers at Central Mindanao University (CMU) and Mariano Marcos State University (MMSU) as of December 31, 2023 such as (a) non-recognition of inventories and animal stocks totaling ₱4,376,578.81; (b) unreconciled variance of ₱3,235,858.93 noted between the Accounting records and the RPCI; and (c) existence of expired inventories totaling ₱577,425.00, inconsistent with the related provisions under the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and II and the cardinal principles of internal control.**
- 4.1 Review and validation of Inventory accounts of PCC Regional Centers at NHGP, CMU and MMSU disclosed the following deficiencies:
- a) Non-recognition of inventories and research animal stocks- ₱4,376,578.81**
- 4.2 Section 9, Chapter 8 of the GAM for NGAs, Volume I, states the following:
- Sec. 9. Perpetual Inventory Method.*** *Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system, resulting in a more accurate inventory records and a running total for the cost of goods sold in each period. Xxx. Regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of PCF for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.*
- Sec. 10. Semi-expendable Property.*** *Tangible items below the capitalization threshold of ₱50,000.00 shall be accounted as semi-expendable property xxx.*
- 4.3 Comparison of the Inventory Schedule (IS) vis-à-vis the Report on the Physical Count of Inventories (RPCI) submitted by the PCC at MMSU disclosed that there

were items still on stock as at year-end, which are no longer included in the IS of the Accounting Unit as summarized in the table below:

Table 19. Unrecognized inventories and animal stocks

Particulars	Per IS	Per RPCI
Agricultural and Marine Supplies Inventory	₱0.00	₱3,788.00
Fuel, Oil and Lubricants Inventory	0.00	16,914.00
Semi-Expendable Machinery and Equipment Inventory	0.00	464,240.00
Zoological/Animal Supplies Inventory	50,981.60	1,651,288.65
Other Supplies and Materials Inventory	4,337.96	1,550,417.72
Total	₱55,319.56	₱3,686,648.37

4.4 Verification revealed that the understatement of inventory accounts was due to the recording of supplies and materials intended for stocks as outright expense, which was not in accordance with the perpetual inventory method.

4.5 On the other hand, 36 heads of breeding stocks at the PCC-NHGP, with estimated fair value less cost to sell of ₱745,250.00, were not yet taken up in the books despite the prior years' audit recommendation to recognize the animals in the respective inventory account (Semi-Expendable Inventories).

b) Unreconciled variance between the Accounting and Property records - ₱3,235,858.93

4.6 Instruction C of Appendix 66, Report on the Physical Count of Inventories (RPCI) of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume II, Accounting Books, Registries, Records, Forms and Reports states that *the report shall be reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.*

4.7 The balances of the Inventory accounts of PCC at CMU per IS and RPCI as of December 31, 2023 disclosed variance of ₱2,898,894.32 as summarized below:

Table 20. Inventory Accounts of PCC at CMU as of December 31, 2023

Inventory Accounts	Per IS	Per RPCI	Variance
Office Supplies Inventory	₱ 18,600.00	₱ 0.00	₱ 18,600.00
Animal/Zoological Supplies Inventory	1,753,063.71	0.00	1,753,063.71
Agricultural and Marine Supplies Inventory	10,500.11	0.00	10,500.11
Other Supplies and Materials Inventory	2,390,102.55	1,273,372.05	1,116,730.50
Total	₱4,172,266.37	₱1,273,372.05	₱2,898,894.32

4.8 Interview with the Inventory Custodian revealed that they wait for the Accounting Unit to book the inventory before they record the receipt of inventory in their Stock Card (SC). This process delays the process of updating the stock cards and preparation of monthly RSMI. To emphasize, the SCs and RSMI maintained by the Inventory Custodian should be independent of the Supply Ledger Card and

Subsidiary ledger maintained by the Accounting Unit. The SC is a form used in the Supply and/or Property Division/Unit for each type of supply to record all receipts and issues made. Transactions shall be posted promptly from source documents. Purchase Order (PO), Deliver Receipt (DR), and Inspection and Acceptance Report (IAR) shall be filed upon receipt of inventory and posting of inventory inflow in the SCs; and, Requisition and Issue Slip (RIS) upon release of inventory to the end user and posting of inventory outflow in the SCs.

- 4.9 The late recording of inventory movement in the Stock Cards and late submission of RSML and RPCI results in the late posting of necessary accounting entries.
- 4.10 Meanwhile, the Property Section of the PCC-NHGP conducted a semi-annual and year-end physical inventory-taking of supplies and materials as witnessed by the representatives of the Audit Team. Results of the validation disclosed that Inventory accounts totaling ₱34,253,336.33 in the Inventory Schedule of the Accounting Unit did not tally with the RPCI totaling ₱33,916,371.72 submitted by the Property Unit, resulting to variance of ₱336,964.61.
- 4.11 Verification with concerned Agency personnel disclosed that there was no periodic reconciliation made between the Accounting and Property Units as evidenced by the variances noted in most Inventory accounts.
- 4.12 The purpose of conducting physical inventory would be defeated if a reconciliation between the accounting and property records is not performed. The RPCI should be always reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively, for sound internal control. Any discrepancy should be verified and/or adjusted accordingly as soon as the same is noted.

c) Existence of expired inventories totaling ₱577,425.00

- 4.13 Generally, buffaloes are fed and raised on green forages. However, for the nucleus dairy buffalo farm maintained by PCC at MMSU, scarcity arises as a result of climate change and the limited pasture area. In response to the challenge of meeting the nutrient requirement of the carabaos in their farm, feed concentrates are being procured.
- 4.14 It is the practice of the PCC at MMSU to procure the feed demand of the farm once a year and require the supplier to deliver these on a staggered basis. Aside from this, the Center also procures feed concentrates for the implementation of the Province-wide CBIN project.
- 4.15 However, it was found that 403 bags of feed concentrate with a total cost of ₱577,425.00 stored in the farm warehouse were already expired. Breakdown is as follows:

Table 21. Expired inventories at farm warehouse of PCC at MMSU

Feed Concentrate	No. of Units (bags)	Unit Cost	Total Cost
Lactating	65	1,375.00	₱ 89,375.00
	226	1,375.00	310,750.00
Starter	11	1,900.00	20,900.00
	30	1,900.00	57,000.00
Grower	71	1,400.00	99,400.00
Total	403		₱577,425.00

- 4.16 Considering that the shelf life of the feed concentrates is only two months as can be deduced from the above table, the term of delivery should have been directly proportionate to the estimated monthly consumption of the farm, thus, over stocking could have been avoided. This manifests that the procurement planning of feed concentrates was not properly coordinated.
- 4.17 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
- (a) Advise the Accounting Unit of PCC at NHGP and MMSU to (i) see to it that purchases of inventories shall be accounted under the Perpetual Inventory Method; and (ii) prepare the appropriate adjusting entries to reflect the unrecognized supplies and animal stocks;**
 - (b) Direct the Accounting and Property Units of the PCC at NHGP and CMU to reconcile the balances of their respective records on a periodic basis; and**
 - (c) Instruct the Supply Officer of the PCC at MMSU to ensure that the quantity of feed concentrates for procurement must be in accordance with the expected monthly requirements of the Center to avoid expiration of feed supply for animals.**
- 4.18 During the Exit Conference, the Management of PCC at NHGP and CMU asserted that the discrepancies in inventory records could be attributed to timing difference in the cut-off dates for reporting and the conduct of actual physical count. Nonetheless, they committed to ensure monitoring and reconciliation of the Inventories in the ensuing periods. The Management of PCC at MMSU also committed that a schedule of delivery will be prepared by the Farm Supervisor that is congruent to the expected monthly consumption of the institutional herd.
5. **The reported balances of the Receivables account of PCC Regional Centers at NHGP, CSU, MMSU and UPLB with carrying amount of ₱19,042,293.17 was not fairly presented in the year-end financial statements due to (a) non-derecognition of receivables collected totaling ₱7,091,223.00; (b) unliquidated fund transfers of ₱3,846,520.61 despite expiration of project duration; (c) dormant receivables totaling ₱1,658,050.61 which remained outstanding for 11 to 20 years; and (d) unrecognized receivables totaling ₱552,830.00, inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and the Diary Buffalo Dispersal Agreement.**

5.1 Audit of Receivables accounts of the PCC Regional Centers at NHGP, CSU, MMSU and UPLB disclosed the following deficiencies which affected the reliability of the General Ledger (GL) controlling account balance totaling ₱19,042,293.17 as of December 31, 2023. These deficiencies are discussed in detail below:

a) Non-derecognition of receivables collected- ₱7,091,223.00

5.2 Paragraph 27 of International Public Sector Accounting Standards (IPSAS) No. 1 states that *fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

5.3 The Toll Processing Service Agreement by and between the PCC at MMSU and a Dairy Cooperative states that the latter shall pay a corresponding toll processing fee of ₱10.00 for each 200-ml sachet of toned milk to be processed by the former. However, said Cooperative did not agree with the billing since they provided all the supplies, ingredients and materials including the milk processing, electricity and other overhead costs. Hence, the revised cost amounted to ₱4.00 for each sachet as computed by the Center in accordance with the template provided by the PCC-NHGP.

5.4 However, it was noted that the amount of ₱7,091,223.00 in the outstanding balance of Receivables account pertains to the Toll Processing Fees already collected from the billings issued by the PCC at Mariano Marcos State University (MMSU) to two Cooperatives as summarized below:

Table 22. Toll Processing Fees for Toned Milk processed by PCC at MMSU

Name of Cooperative	Toll Processing Fee (Recomputed)	Total Collections in 2023	Balance as at 12/31/23
Cooperative I	₱4,849,744.00	₱4,849,744.00	₱ 0.00
Cooperative N	3,222,544.00	3,222,544.00	7,091,223.00
Total	₱8,072,288.00	₱8,072,288.00	₱7,091,223.00

5.5 As can be gleaned in Table 22, Purchase Order (PO) No. 07308603-2020-09-387A of Cooperative I was processed using the supplies of the Center, thus, should be charged with the corresponding costs of the materials used. As a result, the charged toll fees increased to ₱4,849,744.00 and was fully collected during CY 2023. The re-computation of toll fees resulted in the reduced balance of receivable totaling ₱8,072,288.00. The same amount was also collected during the year. On this note, the balance of ₱7,091,223.00 should be derecognized in the books to properly reflect the actual amount of receivable.

5.6 In summary, the departure from the prescribed accounting standards resulted in the overstatement of Accounts Receivable, inconsistent with paragraph 27 of IPSAS No. 1, thus faithful presentation of these transactions was not achieved.

b) Unliquidated fund transfers- ₱3,846,520.61

5.7 Relevant accounting policies for Inter-Agency Transferred Funds (IATF) provided under Section 63 (f) to (g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I follow:

f. Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Cash Disbursements (RCDs) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the Implementing Agency (IA).

g. The IA shall return to the SA any unused balance upon completion of the project, if stipulated in the Memorandum of Agreement (MOA).

5.8 Among the obligations outlined in the Memorandum of Agreement (MOA) was the commitment for the Implementing Agency (IA) to refund any unutilized amount or reimburse the amount disallowed in audit to the PCC-NHGP after the completion of the project or activity.

5.9 As of December 31, 2023, the balance of Inter-Agency receivables composed of the *Due from National Government Agencies* (NGAs) and *Due from Local Government Units* (LGUs) accounts in the books of the PCC-NHGP aggregated to ₱3,919,063.30. Of the total, unutilized balances of ₱3,846,520.61 remained unliquidated despite expiration of contract duration as shown in the table below:

Table 23. Balances of Inter-Agency Receivables as at December 31, 2023

Account (Due from NGAs/LGUs)	Year Transferred	Balance
LGU of San Jose City, Nueva Ecija	1/31/2022	₱2,350,000.00
National Dairy Authority (NDA)	3/28/2012	1,375,562.58
Philippine Rice Research Institute (PhilRice)	3/16/2015	55,750.00
University of the Philippines (UP)- Diliman	12/29/2014	65,208.03
Grand Total		₱3,846,520.61

5.10 According to the Accounting Unit of PCC-NHGP, Demand Letters addressed to the above IAs were already issued requesting the submission of Liquidation Report, Report of Disbursement and Report of Check Issued with “COA-received” stamp and the remittance of unexpended balance, if there’s any.

5.11 Notwithstanding the significant role of IAs in submission of liquidation and terminal reports, the accumulation of unliquidated fund balances can equally be attributed to the inadequate monitoring and enforcement by the PCC-NHGP as the Source Agency (SA). This could have been addressed through consistent communication with the IAs regarding the status of their implementation and submission of the required reports.

c) Dormant receivables- ₱1,658,050.61

5.12 The Commission on Audit (COA) issued COA Circular No. 2023-008 dated August 17, 2023 to prescribe the guidelines and procedures on the proper disposition of all dormant accounts of NGAs, LGUs and GCs, not covered by specific laws, rules and regulations, amending COA Circular No. 2016-005, and to fast track the cleansing of dormant accounts of government agencies for the fair presentation of accounts in the financial statements.

5.13 Item 5.4 of the Circular defines **Dormant Receivable Accounts** as *accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.*

5.14 Moreover, Item 8.2 of the same Circular further states the following:

Within one (1) year from the effectivity of the Circular, the Head of Accounting Unit through the Head of Agency (HoA) shall file with/through the Audit Team Leader (ATL) and/or Supervising Auditor (SA), depending on the jurisdictional amount, a request for the approval of COA to write-off/derecognize from the books the dormant accounts pursuant to the provisions of this Circular. The request shall be supported with the documents listed in Annex 8, provided with index tabs, for easy reference.

5.15 Review and verification of the schedule of receivables of PCC at Cagayan State University (CSU) disclosed that the Other Receivables account showed a balance of ₱4,986,881.86 as at December 31, 2023, which includes receivables of ₱1,658,050.61 that remained outstanding for 11 to 20 years. The dormant accounts pertain to recorded receivables from farmer-recipients or cooperatives under the Bull Loan Program wherein mortality(death) of some bulls were reported while the same animals are still in the custody of farmer-recipients.

5.16 The designated Accountant of PCC at CSU informed the Audit Team that they are still in the process of completing the documents needed to support the request for write-off of dormant accounts.

d) Unrecognized Receivables- ₱552,830.00

5.17 Examination of the Journal Entry Vouchers (JEVs) vis-a-vis the Delivery Receipts (DRs) for sales of milk products made on account disclosed a variance of ₱387,080.00 that pertains to unrecorded DRs as presented in the following table:

Table 24. Summary of Unrecorded Receivables as of December 31, 2023

Inclusive Dates	DR Nos.	Amount of Receivable
December 04-27, 2023	2023-134, 137, 142 and 146	₱36,960.00
December 10-20, 2023	2023-136, 140 and 144	60,000.00
December 11-18, 2023	2023-138, 141 and 143	275,000.00
December 05-27, 2023	2023-135, 139, 145 and 147	15,120.00
Total		₱387,080.00

- 5.18 According to the Bookkeeper of PCC at Mariano Marcos State University (MMSU), the foregoing DRs were not forwarded to them for recording, hence, remained unrecorded as at year-end. Consequently, the Accounts Receivable account was equally understated by ₱387,080.00.
- 5.19 On the other hand, Section 41(d), Chapter 10 of GAM for NGAs, Volume I provides, among others, the following relevant accounting policy on accountability for the loss of property:

d. A receivable account shall be set up to record the accountability of the accountable officer simultaneous with derecognition of the lost PPE.”

- 5.20 Review of available records disclosed that the Genetic Improvement Program (GIP) Coordinator of the PCC at University of the Philippines-Los Baños (UPLB) submitted to the Office of the Auditor the six Notices of Loss due to death of buffaloes during CY 2023, and subsequently filed them for relief from accountability as Accountable Officer (AO), as follows:

Table 25. Unrecorded Receivables from Accountable Officer (AO)

	Mortality Date	Animal Ear Tag No.	Book Value
1.	01/03/2023	2GP18087	₱29,250.00
2.	01/22/2023	2UP19003	29,250.00
3.	06/12/2023	2UP19024	29,250.00
4.	06/25/2023	2UP15009	29,250.00
5.	10/11/2023	8UP20005	19,500.00
6.	12/18/2023	2UP17021	29,250.00
	Total		₱165,750.00

- 5.21 However, verification of the General Journal and Schedule of Breeding Stocks as of December 31, 2023 revealed that the liability of the AO equivalent to the book value of the six deceased buffaloes of ₱165,750.00 was not set-up as receivables in the Accounting records.
- 5.22 Subsequent inquiry disclosed that supporting documents were not furnished by the AO to the Bookkeeper, which was essential for the prompt recognition of accountability for lost assets. Management of PCC at UPLB explained that they delayed providing a copy to the Bookkeeper awaiting the decision on the request for relief filed with the Audit Team, contrary to Section 41.b, Chapter 10 of the GAM for NGAs, Volume I.
- 5.23 In summary, these practices resulted in the understatement of Receivables controlling account by ₱552,830.00 as at year-end.
- 5.24 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**

- a) **Instruct the Bookkeeper of PCC at MMSU to draw necessary adjusting entries for the derecognition of receivables totaling ₱7,091,223.00 already collected from customers;**
- b) **Advise the Accounting Unit of PCC-NHGP to (i) coordinate regularly with the Implementing Agencies (IAs) for the submission of liquidation reports to determine the status of project implementation; and (ii) issue request/demand letters to gather information on the reason(s) for the noted delay or non-submission of the required reports;**
- c) **Direct the Accounting Unit of PCC at CSU to expedite the preparation and completion required documents to support the request for authority to write-off dormant receivable accounts, and thereafter, file the request for the approval of COA, pursuant to the provisions COA Circular No. 2023-008; and**
- d) **Require the designated Accountant/Bookkeeper of PCC at MMSU and UPLB to draw necessary adjusting entries to recognize receivables totaling ₱387,080.00 and ₱165,750.00, respectively.**

5.25 During the Exit Conference, the Accountant of PCC-NHGP committed to continuously communicate with concerned IAs regarding the liquidation of fund transfers. Additionally, the Bookkeepers or designated Accountants of the concerned Regional Centers will be instructed to effect necessary adjustments in the books of accounts.

5.26 Meanwhile, the Management of PCC at CSU commented that they are still gathering and completing the necessary documentation to support the request for authority to write-off dormant receivables, among others:

- Justification for the inability to collect the outstanding balances;
- Efforts made to recover the receivables prior to write-off;
- On-going negotiation with a lawyer to write demand letter; and
- Compliance with COA Circular No. 2023-008 and relevant provisions of the GAM.

6. The unexpended or unobligated balances of fund transfers totaling ₱12,469,699.70 were not returned to the respective Source Agencies (SAs) or the Bureau of the Treasury (BTr), inconsistent with Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and National Budget Circular (NBC) No. 587 dated January 3, 2022.

6.1 Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, states that *the Implementing Agency (IA) shall return to the Source Agency (SA) any unused balance upon completion of the project, if stipulated in the MOA.*

- 6.2 Funds transferred by various NGAs were based on duly executed Memoranda of Agreement (MOAs) entered into by and between the NGAs as source agencies (SAs) and the PCC as the implementing agency (IA) which states, among others, that *any unexpended balance after the completion of the project shall be returned by the PCC to the SAs.*
- 6.3 Moreover, Section 3.7 of National Budget Circular (NBC) No. 587 dated January 3, 2022 details the guidelines in the release of funds for Fiscal Year 2022 and provides thereat that after the end of the specified applicable validity period, all unreleased appropriations or unexpended or undisbursed funds shall revert to the Unappropriated Surplus of the General Fund.

a) Unexpended balance of completed projects- ₱10,349,601.54

- 6.4 As of December 31, 2023, the outstanding balance of the Due to NGAs account of the PCC-NHGP amounted to ₱168,398,920.64, representing a total of 60 projects with outstanding subsidiary ledger (SL) balances. Nonetheless, review of the MOA and other pertinent records disclosed that the outstanding balance of 25 projects totaling ₱10,349,601.54, should have already been liquidated since the period of their project implementation had already lapsed, as summarized in the following aging schedule:

Table 26. Balances of Inter-Agency Payables as of December 31, 2023

Source Agency	Total Past Due Accounts as of 12/31/2023	Age	
		2 Years and Below	More than 2 Years
Department of Agriculture (DA) – Bureau of Agricultural Research (BAR)	₱5,963,368.02	₱4,446,250.65	₱1,517,117.37
DOST - Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD)	3,423,789.52	1,122,369.23	2,301,420.29
National Agricultural and Fishery Council (NAFC)	64,144.00	0.00	64,144.00
National Dairy Authority (NDA)	898,300.00	0.00	898,300.00
Total	₱10,349,601.54	₱5,568,619.88	₱4,780,981.66

- 6.5 Analysis of the past due accounts showed that most projects have outstanding fund balances as of year-end which could be attributed to unexpended funds on some line-item expenditures in the budget and savings realized from the procurement of some supplies and materials in the course of project implementation.
- 6.6 The outstanding balance of Due to the National Dairy Authority (NDA) includes ₱696,200.00 unliquidated fund transfers to the PCC at Visayas State university (VSU) and Ubay Stock Farm (USF) for the localized implementation of the NDA Buy-Back program of Dairy Buffaloes intended for distribution to various farmer-recipients. Considering that the balances had been outstanding for more than two years, the Accountant of PCC-NHGP had already given instructions to the Accountant/Bookkeeper of PCC at VSU and USF to submit the necessary liquidation reports or fund utilization reports. Details of the fund balances are as follows:

Table 27. Balances of Fund Transfers to PCC at USF and VSU

Fund Recipient	Check No.	Date of Transfer	Amount of Fund Transfer	Balance as of 12/31/2023
PCC AT USF	628890	3/23/2018	₱ 800,000.00	₱ 1,200.00
PCC AT VSU	628855	3/06/2018	800,000.00	695,000.00
Total			₱1,600,000.00	₱696,200.00

6.7 Similarly, the ₱55,750.00 unexpended balance of Due to the DOST – PCAARRD pertains to the unliquidated fund transfer to the Philippine Rice Research Institute (PhilRice). The purpose of the project was for the patent processing services for the project entitled “Development of RT-Lamp Assay & Quick Test Kit for Viral Gastro Intestinal Infection of Swine” with pending liquidation.

6.8 Interview with some Project Leaders and Staff disclosed that Terminal Reports and other project documents are still for finalization before submission to concerned SAs.

b) Unexpended balance of the Milk Feeding Program- ₱353,488.16

6.9 The PCC at Mariano Marcos State University (MMSU) and the different Department of Education (DepEd) Schools Division Offices (SDOs) in Region I have agreed to embark on and implement a Milk Feeding Program (MFP) pursuant to the mandates and objectives of R.A. No. 11037 and as a component of the National Feeding Program of the government.

6.10 However, verification of Due to NGAs accounts aged over 365 days through Confirmation Letters revealed that the respective NGAs do not have an outstanding balance of their Due from PCC at MMSU account. On the other hand, review of records revealed that the unexpended amounts were included in the liquidation report and recorded as Accounts Payable (AP). Upon verification of the Schedule of Accounts Payable of the Center as of December 31, 2023, it was noted that there were no obligations attributable to the implementation of MFP. Hence, the Center keeps in its accounts the balances of the already implemented programs despite expired validity as presented below:

Table 28. Unexpended Balances of Milk Feeding Program

DepEd SDO	Date of Receipt of Fund	Amount	Last day of implementation	Balance as of 12/31/23
Batac City	June 08, 2022	₱344,432.00	June 20, 2022	₱24,988.35
Candon City	May 26, 2022	502,796.70	June 13, 2022	34,948.70
Ilocos Norte	January 25, 2022	6,315,771.00	July 12, 2022	22,759.07
	June 24, 2022	189,473.13		
Ilocos Sur	November 30, 2021	7,570,175.55	June 02, 2022	194,182.57
Laoag City	April 29, 2022	1,065,234.24	June 16, 2022	34,289.47
Vigan City	May 22, 2022	553,728.00	June 17, 2022	42,320.00
Total		₱16,541,610.62		₱353,488.16

6.11 Moreover, the MOA between the PCC at MMSU and the various SDOs even required the Official Receipt for the refund of unexpended/unutilized balance of fund

transfer as an attachment to the Liquidation Report submitted by PCC to the respective SDOs thirty (30) days after the last day of implementation of the program.

c) Unobligated balance of the Intensified Community-Based Dairy Enterprise Development - ₱1,766,610.00

6.12 Fund transfer totaling ₱2,299,910.00 was received by the PCC at Mindanao Livestock Production Center (MLPC) from the PCC-NHGP last November 2022 for the implementation of Intensified Community-Based Dairy Enterprise Development under the Food for Peace Program (PL480) Fund. This amount is part of Special Allotment Release Order (SARO) for Fiscal Year 2022 dated June 29, 2022 and valid for obligation until December 31, 2022.

6.13 In the Statement of Allotment and Obligation (SAOB) submitted by the PCC at MLPC, allotments totaling ₱1,938,808.66 were already obligated as of December 31, 2022. However, when the said obligated amount was reviewed and verified, only ₱533,300.00 represents a valid claim and obligation, detailed as follows:

Table 29. Summary of valid obligations under the PL480 Fund as of December 31, 2023

Obligation Request and Status (ORS) No.	Purchase Order (P.O.) No.	Amount
22-12-588	22-12-63	₱46,500.00
22-12-589	22-12-66	19,200.00
22-12-594	22-12-P40	75,100.00
22-12-602	22-12-67	27,000.00
22-12-590	22-12-68	49,390.00
22-12-603	22-12-P41	193,610.00
22-12-593	22-12-65	18,270.00
22-12-605	22-12-P39	88,000.00
22-12-609	22-12-65	16,230.00
Total		₱533,300.00

6.14 Therefore, out of the fund transfer received, a total of ₱1,766,610.00 remained unobligated.

6.15 While it was worthy to mention that the necessary adjustment was already reflected in the SAOB, the unobligated amount was not yet reverted to Unappropriated Surplus and still included in the Cash in Bank balance as of December 31, 2023.

6.16 In summary, the continued practice of retaining excess funds after the completion of their intended purposes is not in line with Section 63(g) of the GAM for NGAs, Volume I. Moreover, non-remittance of these unused funds to the SAs or the BTr has deprived them of additional resources that could have been utilized for other related programs, projects, or activities (PPAs), or to provide assistance to other agencies in need.

6.17 We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:

- a) **Instruct the Accounting Unit of the PCC-NHGP to (i) strictly comply with Section 63 of the GAM for NGAs, Volume I, and the terms and conditions of the MOA; (ii) expedite the updating and reconciliation of Accounting and Budget records to facilitate the preparation of liquidation reports; (iii) coordinate with the concerned Project Leaders for the submission of Project Terminal Reports; and (iv) immediately remit the unexpended fund balances of completed projects to Source Agencies (SAs);**
 - b) **Advise the Accounting Unit of the PCC at MMSU to facilitate reversion to the Bureau of the Treasury (BTr) of unused/unutilized balance of funds received for the implementation of the Milk Feeding Program (MFP) amounting to ₱353,488.16; and**
 - c) **Direct the Accountant and Bookkeeper of the PCC at MLPC to facilitate the reversion of unobligated funds totaling ₱1,766,610.00 to the Unappropriated Surplus of the General Fund pursuant to National Budget Circular No. 587 dated January 3, 2022.**
- 6.18 During the Exit Conference, the Accountant of PCC-NHGP commented that some fund balances had been partially refunded to the concerned SAs while the remaining balances will be subjected for reconciliation.
- 7. Payments amounting to ₱1,209,226.05 in calendar year (CY) 2023 were made for Laundry Allowance, Hazard Pay, Monetization of Leave Credits and Administrative Cost despite incomplete documentation, inconsistent with Section 4(6) of Presidential Decree No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, thus, compromising the validity and propriety of the said disbursements.**
- 7.1 Section 4 (6) of Presidential Decree No. 1445 requires that *all claims against government funds shall be supported with complete documentation.*
- 7.2 Likewise, COA Circular No. 2012-001 dated June 14, 2022, enumerates, among others, the documentary requirements for the grant of Laundry Allowance, Hazard Duty Pay and Monetization of Leave Credits.
- a) **Payments for Laundry Allowance, Hazard Pay and Monetization of Leave Credits- ₱866,226.05**
- 7.3 Post-audit of the disbursement vouchers and transactions of the PCC at Visayas State University (VSU) for the payments of laundry allowance, hazard pay, and monetization of leave credits in CY 2023 totaling ₱866,226.05 showed that these disbursements were not supported with complete documentation, as required by regulations.
- 7.4 Although the Monthly Daily Time Records (DTRs) were submitted and attached to the payment of salaries, it is necessary to also attach copies of the DTRs for laundry allowance and hazard pay payments for convenience in computation. This will make it easier for the Accountant to refer to and determine leaves of absence and official travels that were undertaken by the claimant.

7.5 Additionally, it was noted that one of the two payees of the payment for the monetization of leave credits returned the amount of ₱121,041.15, as evidenced by OR No. 0061685 dated December 22, 2023, due to overpayment. These errors are substantial and require immediate attention from the PCC-NHGP, to address any error at an early stage so that substantial ones do not occur again in the future.

b) Administrative Cost paid as Honoraria- ₱343,000.00

7.6 On March 6, 2014, the PCC and Central Mindanao University (CMU) entered into a Memorandum of Agreement (MOA) which states, among others, the obligations of CMU to PCC as stated in Article 2.3 thereof:

The State University shall allow PCC at CMU to utilize the facilities of accounting, budget, cashier, personnel, and internal audit divisions, and other STATE UNIVERSITY offices needed in processing business transactions and operations of PCC at CMU for a fee representing administrative cost;

7.7 Furthermore, Article 3.5 states, among others, the obligations of PCC:

The PCC shall pay Annually the STATE UNIVERSITY an administrative cost equivalent to 5% of the sub-allotted annual budget of the PCC at CMU, but not more than Five Hundred Thousand Pesos (₱500,000.00), whichever is lower, for the *use of the administrative facilities at CMU* in pursuing the business transactions of PCC at CMU, subject to existing accounting and auditing rules and regulations on the payment of the administrative cost. (Emphasis ours)

7.8 During the year PCC at CMU made the following direct payments to CMU employees in the form of honoraria or allowances totaling ₱343,000.00:

Table 30. Administrative Cost paid as honoraria to CMU employees

Check No.	Number of Payees	Gross Amount
1176424	53	₱ 216,500.00
1176590	44	126,500.00
Total		₱ 343,000.00

7.9 The foregoing transactions are supported only by general payrolls listing CMU personnel with paid amounts ranging from ₱1,500.00 to ₱12,000.00. No other supporting documents are attached to attest to the validity of the payment to CMU employees and the reasonableness of the amounts paid. There was even no attached proof of any service rendered.

7.10 After inquiry with the CMU Accountant, it was clarified that the payroll list of employees, along with the corresponding amounts, was prepared by the PCC at CMU Bookkeeper. Additionally, the involvement of individual payees in PCC operations was reviewed by the CMU Administrative Office. Further verification revealed that the practice of making direct payments of administrative costs to CMU

employees only began in CY 2023, as previous payments from PCC to CMU were also distributed to CMU employees.

- 7.11 It is important to note that these direct payments of administrative costs to CMU employees have no legal basis. It is to be emphasized that the administrative fee, as stipulated in the MOA, is meant to cover the use of administrative facilities at CMU for PCC's business transactions. Therefore, if any CMU personnel are entitled to compensation, it should be paid by CMU using a portion of the collected administrative fee. This inconsistency has resulted in the irregular payment of government funds.
- 7.12 Disbursing funds without complete supporting documents casts doubts about the legality and validity of these transactions and the economical use of government funds in accordance with laws and regulations.
- 7.13 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
- a) **Require the Accountant and Bookkeeper of PCC at VSU to submit the required documents in compliance with Section 4(6) of PD. No. 1445 and COA Circular 2012-001 dated June 14, 2012, to establish the validity and propriety of the transactions; and**
 - b) **Advise the Accounting Unit of PCC at CMU to (i) cease the practice of directly paying CMU employees as Administrative Cost and ensure strict adherence to the provisions outlined in the Memorandum of Agreement; and (ii) provide sufficient evidence to demonstrate that the CMU employees who were compensated have indeed carried out duties that directly contribute to the operations of PCC at CMU.**
- 7.14 During the Exit Conference, the Accountant and Bookkeeper of PCC at VSU committed to submit the journal entry vouchers (JEVs) and their supporting documents by April 2024.
- 7.15 Likewise, the Management of PCC at CMU committed to adhere to the recommendations and will ensure strict compliance with the MOA between the CMU and PCC regarding the release of administrative cost. These funds will be paid to CMU's account and not directly to CMU employees with functions related to PCC at CMU operations. Also, the Management will provide sufficient evidence or documentation certifying the services rendered by the CMU employees carrying out duties and responsibilities related to the operations of PCC at CMU and will attach this to each payroll upon the release of CMU employee's compensation.
8. **The accuracy and reliability of the Cash in Bank-Local Currency, Current Account balance totaling ₱131,431,210.49 as of December 31, 2023 could not be fully ascertained due to (a) unrecognized reconciling items totaling ₱3,083,484.26; (b) non-adjustment of unreleased and stale checks totaling ₱278,928.02; and (c) non-preparation and non-submission of Bank Reconciliation Statement (BRS), inconsistent with pertinent provisions under**

Chapters 19 and 21 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

8.1 Sections 44 and 56, Chapter 19 of the GAM for NGAs, Volume I provides the following:

Section 44. Checks may be cancelled when they become stale, voided or spoiled. The depository bank considers a check stale, if it has been outstanding for over six months from date of issue or as prescribed.

Section 56. Adjustments for Unreleased Commercial Checks. A Schedule of unreleased checks at the end of the year shall be prepared by the Cashier for submission to the Accounting Division/Unit. All unreleased checks at the end of the year shall be reverted back to the cash account.

8.2 Moreover, Sections 5 and 7, Chapter 21 of the same Manual requires the preparation and submission of the Bank Reconciliation Statement (BRS) as follows:

Section 5. Preparation of the BRS. The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.

Section 7. Reporting. The Chief Accountant shall submit the BRS within twenty days after receipt of the monthly BS xxx.

8.3 In the audit of the Cash in Bank (CIB)- Local Currency, Current Account (LCCA) accounts of the PCC Regional Centers, the following carrying amounts were noted based on the year-end financial statements; to wit:

Table 31. Balances of Cash in Bank (CIB) as of December 31, 2023

Regional Center	Carrying Amount
PCC at Mariano Marcos State University (MMSU)	₱ 56,863,053.25
PCC at Visayas State University (VSU)	74,568,157.24
PCC at Ubay Stock Farm (USF)	178,833,848.19
Grand Total	₱131,431,210.49

8.4 However, post-audit of the CIB-LCCA accounts disclosed some deficiencies/errors as discussed below:

a) Unrecognized reconciling items- ₱3,083,484.26

8.5 Verification of the Bank Statements (BSs) for the months of March to December 2023 under the General and Revolving Funds accounts of the PCC at Ubay Stock

Farm (USF) disclosed that several reconciling items in the aggregate amount of ₱3,083,484.26 were not recorded in the books as summarized below:

Table 32. Reconciling items unrecognized in the books of PCC at USF

Nature of reconciling items	Total Amount
Checks encashed by the Bank but not recorded in the books	₱2,259,938.49
Unrecorded Credit Memoranda	428,406.12
Unrecorded Debit Memoranda	395,239.65
Grand Total	₱3,083,484.26

- 8.6 Subsequent inquiry disclosed that the Bookkeeper was not aware that there are check encashment, credit and debit memoranda that were not yet recorded in the books of accounts as at year-end.
- 8.7 Had the Bookkeeper performed reconciliation on the amounts reflected in the BSs vis-à-vis Accounting records, unrecognized/unrecorded amounts could have been determined and adjusted.
- b) Non-adjustment of unreleased and stale checks- ₱278,928.02**
- 8.8 Review and analysis of the year-end financial reports of the PCC at MMSU disclosed that the required adjusting entry to restore the amount of unreleased and stale commercial checks totaling ₱232,303.02 as of December 31, 2023 was not prepared. The Cashier and the Accountant admitted that they were not preparing the said Schedule and the required entry, respectively.
- 8.9 Furthermore, post audit of disbursement vouchers (DVs) revealed that the said payments were made after December 31, 2023 as evidenced by the supplier's official receipt and/or date of signing in box E of the DV.
- 8.10 On the other hand, the cash examination conducted on January 30, 2024 by the Audit Team assigned at PCC at USF disclosed that there are still unreleased or unclaimed checks in the total amount of ₱42,625.00 as at December 31, 2023.
- 8.11 Subsequent verification disclosed that the Cashier of PCC at USF did not prepare and submit a List of Unreleased Checks to the Accounting Office. It was also acknowledged that both the Cashier and the Bookkeeper were not aware that unclaimed checks at year-end shall be reverted to appropriate CIB-LCCA and liability accounts.
- 8.12 As it is, the unreleased and stale checks were not yet restored and remained unadjusted in the books of the agency as of year-end. It should be stressed that year-end adjustments were to be made for fair presentation of the results of operation of the entity in the financial statements.
- 8.13 The non-adjustment of these transactions resulted to the understatement of CIB-LCCA and Payable accounts by ₱278,928.02 as at year-end.

c) Non-preparation and non-submission of Bank Reconciliation Statement (BRS)

8.14 In the conduct of cash examination during CY 2023, it was noted that the Bookkeeper or designated Accountant of some PCC Regional Centers did not prepare and submit the required BRS for the depository accounts of the General and Revolving Funds within the required periods as summarized below:

Table 33. Summary of unsubmitted BRS by PCC Regional Centers

Regional Center	Period covered by unsubmitted BRS
PCC at MMSU	January to December 2023
PCC at VSU	December 2022 to December 2023
PCC at USF	June 2016 to December 2023

8.15 Interview with the Management of PCC at MMSU disclosed that the main reason for the non-preparation and non-submission of monthly BRS was the lack of personnel as there was no plantilla for accounting position at the Center. The designated Bookkeeper is a researcher who is also in-charge of the monitoring and distribution of buffaloes under the different programs of the Center.

8.16 The Bookkeeper of PCC at VSU also disclosed that she is currently preparing the BRSs and the delay was due to balances in the BRSs that could not be reconciled.

8.17 Meanwhile, the Bookkeeper of PCC at USF disclosed that the BRS has not yet been prepared due to unavailability of copies of Bank Statements from prior years. Accordingly, the Audit Team advised the Bookkeeper to request from the bank a copy of the Bank Statement for prior months. A copy of the Customer Request Form (CRF) of Land Bank of the Philippines was also provided so that proper request for the bank can be facilitated. However, the CRF was not yet filled-out and submitted to the bank as at year-end.

8.18 The delayed or non-submission of the BRS precluded the Management from taking timely courses of actions in case of deficiencies that might be identified during its preparation. Further, the delays may impair the fair presentation of the affected accounts in the financial statements.

8.19 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**

- a) **Require the Accountant and Bookkeeper of PCC at USF to reconcile accounting records and the amounts reflected in the Bank Statements and subsequently prepare adjusting entries, as warranted; and**
- b) **Direct the Cashier and Bookkeeper of PCC at MMSU and USF to (i) prepare and submit to the Accounting Office the List of Unreleased Checks as at year-end; and (ii) strictly observe the required adjustments relative to the restoration of unreleased checks including the cancellation of stale commercial checks as at year-end; and**

- c) **Advise the Accounting Unit of PCC at MMSU, VSU and USF to expedite the preparation of unsubmitted Bank Reconciliation Statements (BRSs) and henceforth, strictly comply with the prescribed deadline of submission thereof.**

8.20 In response to the recommendations, the concerned Center Directors commented that they already instructed the Accountant and Bookkeeper to comply with the requirements. During the Exit Conference, the concerned Accountants also mentioned that they reminded the Bookkeepers of timely preparation and submission of the Bank Reconciliation Statements.

9. Notwithstanding the continuous commitment of PCC towards attaining good animal husbandry practices, gaps were still noted in the herd management such as (a) mortality of 28 heads of buffaloes with book value totaling ₱456,250.00; (b) unsubstantiated culling of animals amounting to ₱65,000.000; and (c) inadequacy of mortality pit for proper disposal of animal carcass, inconsistent with the pertinent provisions of the PCC Dairy Buffalo Production Handbook and the Good Animal Husbandry Practices for Beef Cattle and Buffalo Code of Practice issued in CY 2023 by the Department of Agriculture (DA)-Bureau of Agriculture and Fisheries Standards (BAFS).

9.1 The PCC was operationalized by virtue of Republic Act (R.A.) No. 7307 or the Philippine Carabao Act of 1992 with the aim to conserve, propagate, and promote the carabao as a source of draft animal power, meat, milk, and hide for the benefit of rural farming communities.

9.2 Over the years, PCC has invested in breeding and herd improvement to accelerate expansion and maintain a steady supply of better dairy carabao stock. However, such investments were normally constrained by several internal and external factors such as mortality or death of animals as discussed below:

a) Losses due to animal mortalities- ₱456,250.00

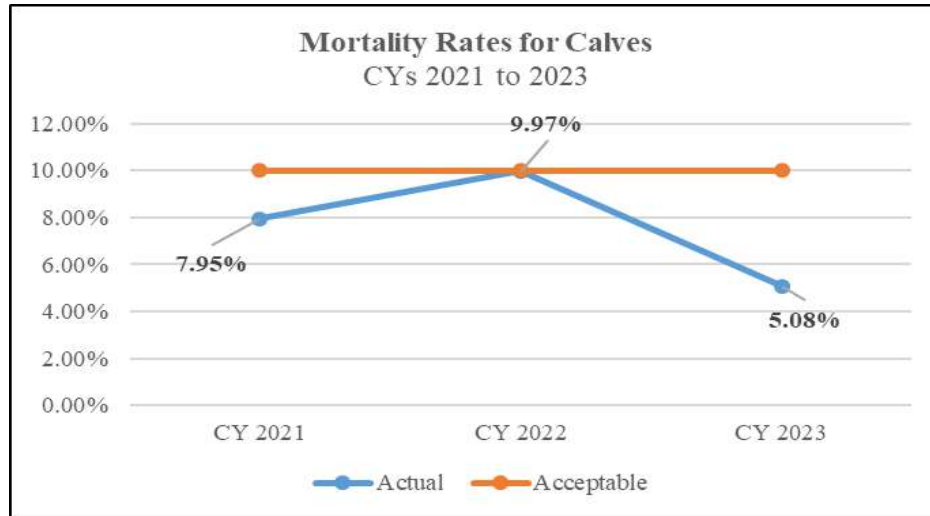
9.3 Animal mortality basically refers to death in an animal population. According to the latest PCC Dairy Buffalo Production Handbook, below is the formula to calculate animal mortality over a time period:

$$\text{Mortality Rate (calves) = } \frac{\text{No. of mortality (deaths)}}{\text{Beginning inventory + No. of newborns in a given year}} \times 100$$

$$\text{Mortality Rate (adults) = } \frac{\text{No. of mortality (deaths)}}{\text{Beginning inventory + No. of animals that reached 1 y/o}} \times 100$$

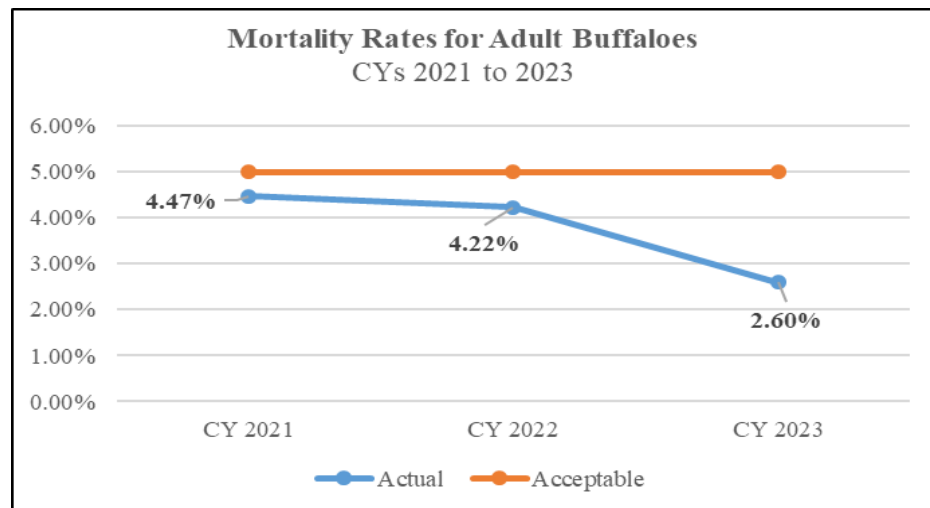
9.4 The same Handbook further mentioned that the acceptable rate of mortality for calves is 10% and only 5% for adult buffaloes in line with the standards of Integrated Management Systems (IMS). The reason provided for such is that calves are more prone to health risk factors from birth to weaning stage which could result to higher incidence of deaths than adult buffaloes.

9.5 Relatedly, actual mortality rate of calves and adult buffaloes under the institutional herd of PCC-NHGP from Calendar Years (CYs) 2021 to 2023 had been managed within the acceptable range, signifying the continuous commitment of Management and its stakeholders towards improving the overall welfare of animals.



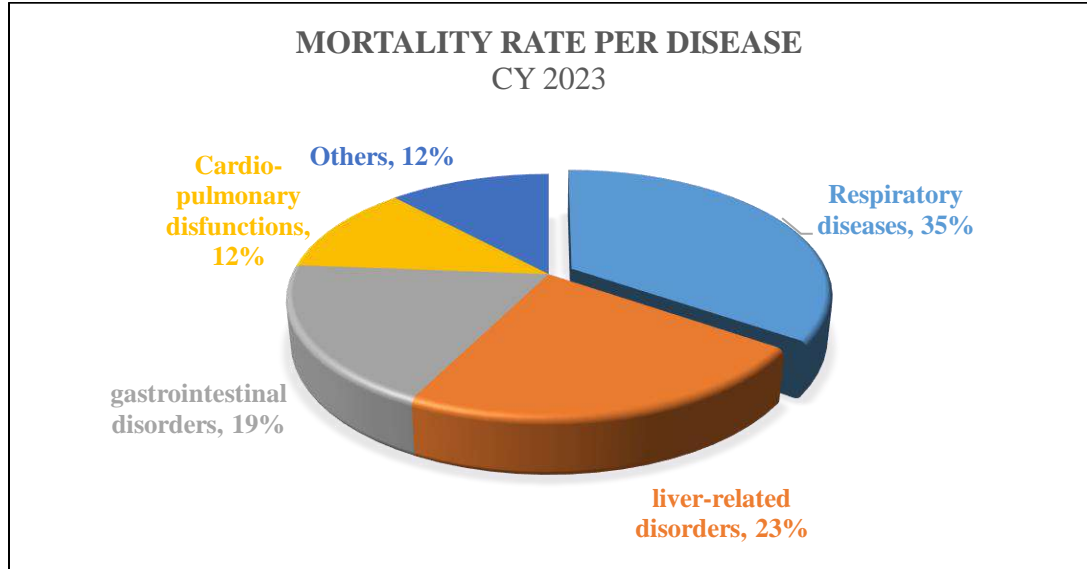
9.6 For CY 2023, beginning inventory of calves was recorded at 130 heads. Additional 106 calves were born during the year out of which 12 heads died, resulting to 5.08% mortality rate. As shown in the above line graph, incidence of mortality among calves had significantly decreased in CY 2023 as compared with 9.97% mortality rate in CY 2022.

9.7 Similarly, the following graph also showed a decrease in mortality among adult buffaloes during CY 2023 when compared to immediately preceding years.



9.8 As demonstrated in the above figure, the mortality rate of 2.60% in CY 2023 represents 14 heads of adult buffaloes which expired due to various diseases.

9.9 Further evaluation of various notices and pertinent records submitted by the PCC-NHGP related to the total mortality of 26 heads of buffaloes showed that respiratory diseases were the common causes of deaths reported at 35 percent (35%) or nine out of 26 mortalities in 2023.



9.10 The most common cases of respiratory diseases identified among animals at the PCC-NHGP Gene Pool are *Pneumonia* or *Bovine Respiratory Disease*.

9.11 Veterinary Medicine often describes *Pneumonia* as an inflammation of the lungs caused by a combination of factors such as an infectious agent (bacteria, virus, or a combination of both); weather or environmental conditions; animal management; type of cattle; and poor cattle immune system.

9.12 Relatedly, a female Bulgarian Murrah Buffalo with Ear Tag No. 2GP22087 and book value of ₱5,000.00 died due to *Bronchopneumonia*, as indicated in the Necropsy Report of the attending Veterinarian. The Accountable Officer (AO) narrated that on August 27, 2023, the animal was observed to be anorexic, displayed respiratory problems, and lameness. It was immediately transferred to an isolation pen for monitoring and treatment. Oral supplements were provided to the animal on the following days to support its recovery. However, the animal did not respond with medications until it was found dead on September 1, 2023.

9.13 Validation by the Audit Team disclosed that animal pens were found to have enough ventilation with no obstruction to keep the air flowing. Cleanliness was also maintained by daily cleaning of the pens to prevent the animal from exposure to possible causes of infection as shown by the following photo taken at the PCC-NHGP Gene Pool:



Animal Pens at the PCC-NHGP Gene Pool

- 9.14 Meanwhile, the Audit Team also noted that during the year, three animals died due to *Fascioliasis*, a disease caused by *Fasciola* parasites or flat worms referred to as liver flukes.
- 9.15 The adult (mature) flukes are found in the bile ducts and liver of infected animals. The infection is acquired by accidentally ingesting (swallowing) the parasite. This was caused by eating raw watercress or other contaminated freshwater plants or by ingesting contaminated water, such as by drinking it or by eating forages that were washed or irrigated with contaminated water.
- 9.16 Reportedly, a laboratory examination was immediately conducted in the herd, and it was found that other animals were infected with liver flukes. The said animals were then subjected to deworming in order to prevent the recurrence of such infection. In an investigation conducted by the PCC Gene Pool, it was suspected that the fresh grasses harvested near the water irrigation had been contaminated given the continuous rainfall during the month of September.
- 9.17 While the AO explained that the farm laborers were always reminded to refrain from harvesting fresh grass near the irrigation or when grass had been immersed in the water, strict monitoring of all harvested fresh grass and treatment of water to be fed to the animals is important in order to avoid or at least minimize occurrence of liver fluke infestation among animals.
- 9.18 Nevertheless, it was worthy to mention that during CY 2023, the PCC-NHGP had already insured most of the animals under the Livestock Insurance Program of the Philippine Crop Insurance Corporation (PCIC) with a total of 126 heads of buffaloes eligible for Carabao Mortality Insurance coverage.
- 9.19 Meanwhile, it was reported at the PCC at West Visayas State University (WVSU) that the cause of death of two heads of buffaloes with book value totaling ₱61,750.00 was the disease called Surra, caused by a blood-borne parasite, which causes fatal chronic wasting in cattle. Symptoms of the disease in herds include progressive anemia exhibited by weakness and occasional inappetence, abortion, swollen lymph

nodes and nervous signs like circling, seizures, etc. The herds were subjected to a series of laboratory examinations i.e. blood, urine and fecal as part of regular health monitoring. The animals tested positive for blood parasites (Trypanosoma and Microfilaria). Although necessary treatments such as Anti-surra and anti-microfilaria were given twice, some did not survive which resulted to mortality.

9.20 The lack of early preventive measures and sufficient interventions to minimize, if not eliminate the infestation of the carabaos, hindered the attainment of the project's goals and objectives causing financial losses to the PCC.

b) Unsubstantiated culling of animals- ₱65,000.00

9.21 Moreover, review of pertinent documents submitted by the Property Unit of PCC at CLSU disclosed that the culling of six heads of buffaloes with book value totaling ₱65,000.00 was not supported with the Inventory and Inspection Report of Unserviceable Properties (IIRUP) or Disposal Committee Resolution.

9.22 In the absence of IIRUP or Disposal Committee Resolution, the Audit Team could not fully evaluate the Center's compliance with the minimum requirements on proper culling of animals.

9.23 The following are also deemed as necessary documents in order to validate the reasonableness of culling the animals:

- Medical Certificate;
- Individual Animal Health Record;
- Authenticated pictures of animals showing ear-tag and marks of significant findings;
- Disposal Committee Resolution on the mode of disposal of the subject animals to be disposed and the computed minimum selling/asking price with reference to the Requests for Quotation or Canvass of at least three prices as basis for the prevailing market price or computed Agency Approved Estimate (AAE);
- Abstract of Canvass; and
- Disposal Committee Resolution on the Award of Contract to the highest bidder

9.24 The foregoing deficiency could have also stemmed from the apparent lack of specific guidelines on the procedures and documents to be accomplished related to culling of animals; thus, the validity and propriety of the disposal could not be fully ascertained.

c) Inadequate mortality pit for disposal of animal carcass

9.25 Proper management of on-farm animal mortalities is vital to every farming operation. At the PCC-NHGP, burial method has been the common practice of disposal of animal carcass wherein a pit was constructed to provide sufficient depth for animal carcass to be covered with excavated soil.

9.26 Relatively, Section 9.2.4 of the Good Animal Husbandry Practices for Beef Cattle and Buffalo Code of Practice issued in CY 2023 by the Department of Agriculture (DA)-Bureau of Agriculture and Fisheries Standards (BAFS) states the following:

Section 9.2.4.1 *There should be a separate area for disposal of mortalities that is **enclosed** and **isolated** and should conform to existing environmental waste management regulations. (emphasis supplied)*

9.27 Furthermore, Chapter 13 of the PCC Dairy Buffalo Production Handbook provided for the following setbacks when locating mortality pit:

Minimum Setbacks

(away from the location, in meters)

Livestock housing facility, outdoor confinement area and residential structure (neighbor's house) located on land not part of the land on which the mortality pit is located.

Source: Ontario Ministry of Agriculture, Food and Rural Affairs

9.28 In addition, the same Handbook states that the *burial ground must be in a well-drained soil.*

9.29 Nevertheless, review of pertinent records did not show that the supposed waste management regulations were implemented by way of ensuring that the animal carcass was disposed properly. The following picture shows the portion of the ground where the animal with Ear Tag No. 2GP22087 was buried.



Burial ground at the PCC Gene Pool

9.30 Physical inspection and validation conducted by the Audit Team during the necropsy procedure disclosed that the burial ground as shown above was half-filled with water and the same was located within a 10-meter distance from the animal pens, which may possibly cause infections to the surrounding animals if not adequately attended to.

- 9.31 Interview with the Gene Pool staff at PCC-NHGP disclosed that the burial ground was temporarily located at an open site considering that no other site can be utilized as burial ground. While there are still available areas within the Gene Pool farm, the same cannot be utilized as burial ground due to housing communities located nearby the site.
- 9.32 Further validation disclosed that the construction of supposed mortality pit has been completed since November 4, 2022 with a Total Contract Amount of ₱454,244.18 based on the Certificate of Inspection issued by the PCC Inspectorate Team. However, the same was not yet utilized due to unfit fabricated steel covers and the lack of road or way to access the pit as shown by the photos taken during inspection at the Gene Pool area:



Location of Mortality Pit



Fabricated Steel Covers

- 9.33 Meanwhile, the Chief of General Services Section (GSS) committed that they will conduct immediate review and evaluation of the constructed mortality pit and the provision of access road to the area.
- 9.34 In the absence of adequate mortality pit or burial ground, improper disposal of dead animal carcasses can negatively impact surface water and groundwater from carcass pathogens.
- 9.35 In sum, the death and culling of animals in just a period of one year did not only result to losses of government funds amounting to ₱456,250.00 but may also pose threats to PCC's goal of improving the genetic potential of the carabaos. Furthermore, non-compliance with standards on the provision of mortality pit may also pose risks on the health and well-being of animals as well as humans.
- 9.36 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
- a) **Instruct the Gene Pool/Farm Coordinator of PCC at NHGP and WVSU to (i) continuously introduce specific solutions to optimize the animals' well-being and minimize mortality rate; and (ii) conduct thorough review of the animal care practices to identify areas that need improvement especially the**

provision of clean and safe forages and water to be given to animals to avoid or at least minimize incidence of liver fluke infestation;

- b) Advise the Property Unit of PCC at CLSU to (i) ensure sufficient documentation to support the stated reason/s for culling of animals and submit copy of the same to the Audit Team for reference in audit; and (ii) implement necessary controls on the requests for culling based on the approved Authority to Release of animals; and**
 - c) Direct the PCC-NHGP Inspectorate Team to implement alternative courses of action to facilitate the immediate utilization of mortality pit.**
- 9.37 During the Exit Conference, the Gene Pool Coordinator at PCC-NHGP shared the preventive and detective controls undertaken to reduce mortality of animals from liver flukes. They also committed to prioritize boosting animals' health to promote immunity against diseases. Moreover, appropriate actions will be taken to bring the mortality pits in condition for utilization and in conformity with the Good Animal Husbandry Practices.
- 9.38 Furthermore, the Management of PCC at CLSU committed to standardize a checklist of documents and reports as attachments to support the culling of animals, specific to each mode or nature of disposal. The Appraisal and Disposal Committee of the Center will also issue a resolution endorsing each disposal, regardless of the number of heads, and quotations will be solicited for each sale to provide a reasonable selling price. The Center Director also shared their plan to expand their meat and leather production as a primary mode of disposing culled animals, to economically utilize the carcass of the animals, which should be more beneficial to the Government.

B. OTHERS

- 10. Various Disbursement Vouchers (DVs), Journal Entry Vouchers (JEVs) and other financial reports totaling ₱225,304,681.13 were not submitted within the prescribed period, inconsistent with Sections 7.1.1 and 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009 and Section 111 of Presidential Decree (P.D.) No. 1445. Moreover, some DVs and their supporting documents were not yet submitted for audit, thereby hindering the timely audit of the accounts and transactions of the Agency.**
- 10.1 Sections 7.1.1 and 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009 prescribing the use Revised Rules and Regulations on Settlement of Accounts (RRSA) state the responsibilities of the Agency Head and the Accountant relative to the submission of financial reports and supporting documents as quoted below:

Section 7.1.1 The head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that:
(a) the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission. xxx

Section 7.2.1 The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:

- a. *the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor **within the first ten (10) days of the ensuing month.** (emphasis supplied)*

10.2 Likewise, Section 111 of P.D. No. 1445 or the Government Auditing Code of the Philippines provides that:

Keeping of accounts.

1. *The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. Xxx*

10.3 The same P.D. further provides that it shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control. Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

10.4 In the course of review and post audit of financial reports for CY 2023, it was noted that Disbursement Vouchers (DVs), Journal Entry Vouchers (JEVs) and other reports were not submitted by some PCC Regional Centers to their respective COA Auditor's Office as summarized below:

Table 34. Summary of Unsubmitted Financial Reports as of December 31, 2023

Regional Center	CY 2023 Financial Report	No. of Days Delayed	Total Amount
PCC-NHGP	DVs	16-138 days	₱2,290,687.51
PCC at CMU	RPCI, RPCPPE, QRBA, POs and Contracts	---	0.00
PCC at MMSU	DVs	28 to 181 days	12,757,826.77
PCC at VSU	JEVs	---	210,256,166.85
Grand Total			₱225,384,681.13

10.5 Inquiry with the Accounting/Cashier Units of PCC Regional Centers concerned disclosed the following factors which contributed mainly to the delayed submission of financial reports:

- The Cashier Unit of PCC-NHGP disclosed that some DVs were not yet forwarded to the Accounting Unit due to lacking Official Receipt (O.R.) or Acknowledgement Receipt issued by the payee. Notwithstanding that checks were already released

or issued, copy of O.R. or Acknowledgement Receipt issued by the payee was not yet furnished to them for attachment to the DV;

- Verification with the Inventory Custodian of PCC at CMU disclosed that the monthly Report of Supplies and Materials Issued (RSMI) was not prepared and submitted timely and the Report on the Physical Count of Inventories (RPCI) was only submitted in February 2024. The Auditor only received the POs and some of the contracts as attachments to the DVs; and
- It was noted in the PCC at MMSU that supporting documents of some DVs were still incomplete and the checks attached to DVs remained unclaimed by the payees; and

10.6 The delay in the submission of financial transactions and supporting documents within the prescribed period did not only hinder the timely verification of the propriety and validity of the transactions but also prevented early detection of deficiencies and prompt corrections of the same, if any. Likewise, rendering of audit actions on the deficiencies noted may not be communicated on time to the Management for their compliance.

10.7 **We recommended that the Executive Director and Center Director of PCC Regional Center at CMU, MMSU and VSU instruct the Accounting/Property Unit to (a) strictly comply with the guidelines set forth under Sections 7.1.1 and 7.2.1 of COA 2009 Revised Rules and Regulations on Settlement of Accounts (RRSA) to ensure the timely submission of accounts; and (b) revisit the existing internal control system in the monitoring and custody of all records of the Agency and establish additional compensating controls, if necessary, in compliance with P.D. No. 1445.**

10.8 During the Exit Conference, Management admitted the delays on the submission of DVs, JEVs and other financial reports. Nevertheless, the concerned Regional Centers committed to comply with the timely submission of reports in the ensuing year.

11. **Utilization and outcome of the Gender and Development (GAD) Budget totaling ₱78,729,000.00 or 6.52% of the Agency's Total Budget of ₱1,206,717,000.00 for the Fiscal Year (FY) 2023 could not be fully ascertained due to (a) non-preparation of the GAD Agenda Progress Report; (b) non-submission of the GAD Accomplishment Report; and (c) non-adoption of the Harmonized Gender and Development Guidelines (HGDG) tool for budget attribution, inconsistent with the pertinent provisions of the Philippine Commission on Women (PCW) Memorandum Circular Nos. 2018-04, 2022-03 and 2023-05 dated September 19, 2018, August 31, 2022 and December 19, 2023, respectively.**

11.1 Pursuant to Republic Act (R.A.) No. 9710 or the Magna Carta of Women (MCW) and the Philippines' commitment to achieve gender equality and women's empowerment (GEWE), the Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budget (GPB) and GAD Accomplishment Report (AR) was issued by the Philippine Commission on Women (PCW), the National Economic Development Authority (NEDA) and the Department of Budget and Management

(DBM). The guidelines provide the procedures for the formulation, implementation, monitoring and evaluation of GAD plans and budgets of agencies and identify the setting of the GAD Agenda as one of the steps in formulating the GAD Plan.

11.2 The Agency GAD Plan and Budget (GPB) for FY 2023 showed a total budget of ₱78,729,000.00 which was 6.52% of total agency's appropriation of ₱1,206,717,000.00. The same was endorsed by the PCW on December 27, 2023 and submitted to the Audit Team within five working days from approval by the agency head in accordance with the prescribed date of submission by the PCW.

11.3 Nevertheless, audit of compliance by the Agency with the existing rules and regulations on GAD disclosed the following deficiencies:

a) Non-preparation of the GAD Agenda Progress Report

11.4 Sections 6.3, 7.1 and 7.2 of the PCW Memorandum Circular (MC) No. 2018-04 dated September 19, 2018 or the Revised Guidelines for the Preparation of the GAD Agenda states, among others, the following:

6.3 In the formulation of the agency's annual GPB, the entries in the GAD agenda such as the Gender Issue, GAD Outcome, Indicator, Target, Activities, and Budget for the specified year shall be reflected in the annual GPB.

7.1 A review after three years and an end-term evaluation of the GAD Strategic Framework (GADSF) and GAD Strategic Plan (GADSP) shall be conducted by the GAD Focal Point System (GFPS) and reports shall be prepared and submitted to PCW.

7.2 The 3-year progress report shall reflect the status of accomplishments based on the analysis of the desired results and outcomes, as well as variances.

11.5 The PCC's GAD Agenda with a six-year timeframe for CYs 2020 to 2025 is a two-part document consisting of the GADSF and GADSP. The GADSF outlines the Agency's GAD Vision, Mission and Goals anchored on the mandate of the Agency, while GADSP defines the strategic interventions, indicators and targets to be pursued to achieve the GAD Goals over a period of time.

11.6 However, it was noted that some of the entries in the GAD Agenda was not reflected in the annual GPB for FY 2023, inconsistent with Section 6.3 of the aforementioned MC and as summarized in the following table:

Table 35. Gender concerns not reflected in the GPB for FY 2023

Gender Issue	GAD Outcome/Result
➤ Agency policies, PPAs and mechanisms do not fully integrate gender dimensions	- Agency policies, PPAs and mechanisms fully integrate gender dimensions
➤ Low participation of women clients in the planning of PCC programs	- Increased participation of women clients in the planning of PCC programs
➤ Limited participation of women clients in the monitoring and evaluation of PCC programs	- Increased participation of women clients in the monitoring and evaluation of PCC programs

11.7 Moreover, validation conducted by the Audit Team disclosed that a 3-year progress report was not prepared by the GFPS which shall reflect the status of accomplishments from CYs 2020 to 2022.

11.8 Interview with the GAD Focal Person (GFP) disclosed that a three-year progress report on the GAD Agenda was not prepared due to lack of familiarity or awareness on the PCW Memorandum Circular No. 2018-04, supra, requiring the preparation and submission of the said report.

11.9 In the absence of a monitoring and evaluation framework such as a 3-year Progress Report, GAD Results and outcomes could not be assessed which shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs.

b) Non-submission of GAD Accomplishment Report (AR)

11.10 The PCW issued Memorandum Circular (MC) No. 2023-05 dated December 19, 2023 which provides the guidelines for the submission of FY 2023 GAD Accomplishment Report (AR). Section 1.4 thereof identified PCC as one of the pilot agencies that will prepare its FY 2023 GAD Accomplishment Report (AR) using the revised GAD AR form and submit the same through the Gender Mainstreaming Monitoring System (GMMS) Version 3. It also indicated the deadline of encoding and submission to PCW of FY 2023 GAD AR of PCC which was on February 23, 2024.

11.11 However, inquiry with the GFP and the Chief of Administrative and Financial Management Division (AFMD) disclosed that the Agency's GAD AR for FY 2023 was not yet submitted to the PCW due to oversight on the deadline for encoding and submission of the report thru the GMMS Version 3.

11.12 In a Letter dated March 13, 2024, the GAD Focal Person requested the PCW for the granting of extension for the submission of PCC's GAD AR for FY 2023. It was admitted in the letter that the deadline for the submission was overlooked which led to the delay in the preparation and submission of the said GAD AR.

11.13 In the absence of a GAD AR, utilization and outcome of the GAD Budget could not be monitored and evaluated.

c) Non-adoption of the Harmonized Gender and Development Guidelines (HGDG) tool

11.14 Aside from implementing direct GAD PAPs to address organization or client-focused gender issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s or project/s to the GAD budget using the HGDG tool as prescribed under Section 1.2.2.2.1 of the PCW MC No. 2022-03 dated August 31, 2022. The tool prescribes the following formula in determining the actual expenditure that can be attributed to GAD:

$$\frac{\text{HGDG PIMME/FIMME Score}}{\text{Total HGDG Points}} \times 100\% = \text{\% of annual program expenditure attributable to GAD}$$

$$\begin{aligned} & (\text{\% of annual program expenditure attributable to GAD}) \times (\text{annual program expenditure}) \\ & = \text{amount attributable to GAD in the AR} \end{aligned}$$

11.15 However, it was also noted that the HGDG checklist was not yet in place because majority of the GFPS members were not yet familiar with the tool.

11.16 Assessing other major programs/projects using the HGDG tool will enable Management to identify the Agency's strengths and areas for improvement, thus, ensuring the attainment of gender-responsiveness in all PAPs pursued during the year.

11.17 **We recommended and the Executive Director agreed to instruct the PCC GAD Focal Point System (GFPS) to:**

- a) Prepare a three (3)-year Progress Report on the GAD Agenda and submit the same to the PCW in accordance with Section 7 of the PCW Memorandum Circular (MC) No. 2018-04 dated September 19, 2018;**
- b) Review the existing GAD Agenda to ensure that pertinent entries such as Gender Issues are being reflected in the annual GPB;**
- c) Ensure timely submission of the GAD AR in accordance with the guidelines on the submission of GAD AR in the ensuing years;**
- d) Enhance their level of training on the use of the Harmonized Gender and Development Guidelines (HGDG) tool; and**
- e) Assess other major programs, activities and projects (PAPs) of the Agency using the HGDG tool in obtaining more comprehensive inputs or bases in GAD planning and reporting.**

11.18 During the Exit Conference, the Management committed to assign permanent officers and employees that will attend trainings to familiarize themselves with the use of the HGDG tool.

12. **Twenty infrastructure projects with a total contract amount of ₱46,455,125.37 were not completed within the specified contract period due to inadequate monitoring of their implementation, inconsistent with Items 8 and 9 of Annex E of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184 thus, preventing Management from ensuring the efficiency of operations and depriving the intended beneficiaries of the timely utilization of the projects.**

12.1 Section 17.8 of the 2016 RIRR of R.A. No. 9184 or the Government Procurement Reform Act states the following:

17.8 Detailed Engineering for the Procurement of Infrastructure Projects. No bidding and award of contract for Infrastructure Projects shall be made unless the detailed engineering investigations, surveys and designs, for the project have been sufficiently carried out and duly approved in accordance with the standards and specifications prescribed by the HoPE concerned or his duly authorized representative, pursuant to the recommendation of the end-user or implementing unit and in accordance with the provisions of Annex "A" of this IRR.

12.2 Furthermore, Items 8 and 9 of Annex E of the same RIRR states that:

8. The Procuring Entity shall ensure the timely implementation of infrastructure projects by monitoring the performance of the contractors.

When the contractor incurs negative slippage during the contract duration, the Procuring Entity shall implement the calibrated measures provided under GPPB Circular No. 03-2019 dated 8 March 2019, entitled "Guidance on Contract Termination due to Fifteen Percent (15%) Negative Slippage by the Contractor in Infrastructure Projects.

9.1. Once the contract duration expires, including any time extension duly granted, and the contractor refuses or fails to satisfactorily complete the work, the Procuring Entity shall impose upon the contractor in default liquidated damages. Liquidated damage is an amount equal to at least one tenth (1/10) of one (1) percent of the cost of the unperformed portion of the works for every day of delay. Xxx

12.3 In CY 2023, the PCC Regional Centers have been consistently implementing the Carabao-based Business Improvement Network (CBIN) Project and Coconut-Carabao Development Project (CCDP) through the funding provided by the PCC-NHGP. These projects aim to strengthen carabao-based enterprises in the identified provinces to create livelihood for farmers. In line with this, the Centers have initiated the construction/establishment of Dairy Box: Milk Processing and Marketing Outlet for the benefit of recipient cooperatives.

- 12.4 Review of the Report on Information and Publicity of Government Projects/Program/Activities (GPPA) as at year-end showed that twenty (20) projects for the Construction of Dairy Processing Plant and Product Outlet (Dairy Box Type) on different locations with a total contract amount of ₱46,455,125.37 were still ongoing for construction as summarized below:

Table 36. Summary of On-going Infrastructure Projects as of December 31, 2023

Regional Center	No. of Projects	Total Contract Price	Reason(s) of Delay
PCC at Central Mindanao University (CMU)	6	₱16,886,744.25	Variation orders and work suspensions due to additional works, site preparation and unavailability of exact site location
PCC at Visayas State University (VSU)	7	14,378,458.95	Work suspension awaiting the pre-construction meeting and the approval and issuance of Locational Clearance
PCC at University of the Philippines- Los Baños (UPLB)	7	15,189,922.17	Construction still on-going; processing of building permit for one project is on-going
Grand Total	20	₱46,455,125.37	

- 12.5 The Bids and Awards Committee (BAC) at PCC-NHGP conducted the bidding process and the award and contract were signed by the Executive Director, as Head of the Procuring Entity (HOPE) of the above procurement projects. Also, the PCC-NHGP provided the assistance of PCC Inspectorate Team to certify the accuracy and correctness of the Statement of Work Accomplished (SWA) prepared by the Contractor and their Certificate of Inspection of the said projects.
- 12.6 Review of the status of the construction of Dairy Boxes in CY 2023, showed that all of the six Dairy Box or Processing Plant and Product Outlet projects implemented by the PCC at CMU have suspension orders due to site land preparation, and four have variation orders with additive cost to improve the construction site.
- 12.7 During the ocular inspection by the Audit Team assigned at the PCC at VSU, it was noted that several posts were already installed at the project sites. Moreover, two projects have a request for suspension of work awaiting the pre-construction meeting and the approval and issuance of Locational Clearance from LGU-Maasin City. The said request was approved by the Center Director of PCC at VSU. For the reasons mentioned in the request, those issues or concerns should have been settled during the detailed engineering process, and before the bidding was conducted.
- 12.8 Except for the SWA and Certificate of Inspection, no other monitoring reports were provided by the PCC at UPLB to verify the percentage of the physical accomplishments and to ascertain the percentage of negative slippage incurred by the Contractor as of a specific date. Considering that the Contractor incurred delays in the completion of projects, no documentation was presented to show that

Management had directly communicated with the Contractor to determine the actual status of the accomplishment and compel them to complete the projects within the contract duration. It is necessary to maintain proper documentation of approved suspension of works as well as the granted time extensions to the Contractor. Absent of such, the Center will be entitled to liquidated damages.

- 12.9 The incurrence of delay implied that the PCC at UPLB did not execute adequate monitoring and evaluation of projects contrary to Item 8 of Annex E of the 2016 RIRR of RA No. 9184 (Updated as of July 2022). A proper coordination among those involved in the project from its conception, implementation and monitoring should be strictly observed. It should be emphasized that projects started should be completed as planned and the government agency should install effective measures to monitor the timely completion of its projects, programs and activities.
- 12.10 The lack of adequate monitoring of projects coupled with absence of interventions to address any delays in project implementation led to delayed project completion. Moreover, the intended beneficiaries were deprived of the immediate and maximum utilization of the completed projects.
- 12.11 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
 - a) **Instruct the Project Monitoring Committee (PMC) to strictly monitor the progress of the construction of all Dairy Processing Plants and Product Outlets;**
 - b) **Submit pertinent documents showing the actions taken against the defaulting Contractors including the approved time extensions, suspensions and variation orders or other related documents that will determine that the projects are not delayed. Otherwise, impose liquidated damages against the contractors for every day of delay and sanctions set forth under Item 9 of Annex E of the 2016 RIRR of RA No. 9184 (Updated as of July 2022); and**
 - c) **Adhere strictly to the guidelines in the suspension of construction works and granting of time extension for infrastructure projects provided under Annex E of the 2016 RIRR of RA No. 9184.**
- 12.12 During the Exit Conference, the audit recommendations were acknowledged by the Management. Subsequently, the concerned Center Directors committed to send letters to the respective Contractors regarding the implementation status and inform them of the consequences of late project completion.
13. **Deficiencies were noted in the implementation of the Carabao-based Business Improvement Network (CBIN) project such as (a) non-compliance with the Technical Specifications on the delivered buffaloes valued at ₱6,077,700.00; (b) non-utilization of various structures, machinery and equipment with aggregate cost of ₱11,939,912.83; and (c) non-compliance with some provisions of the Buffalo Dispersal Agreement, thus, potentially**

posing challenges on the sustainability of the project and the enjoyment of optimum benefits by the beneficiaries thereof.

- 13.1 The PCC was created to institutionalize the carabao development program of the government. It is mandated to conserve, propagate and promote the carabao as a source of milk, meat, draft power and hide to benefit the rural farmers in the country. In line with its mandate, the PCC implemented the program called “Accelerating Livelihood and Assets Buildup (ALAB)-KARBAWAN” to establish a robust, Carabao-based Business Improvement Network (CBIN) Project in different provinces nationwide through the sponsorship of Senate Committee on Agriculture and Food Chairperson Senator Cynthia A. Villar. The Project commenced during CY 2020 with additional activities completed during CY 2023.
- 13.2 The CBIN project aims to strengthen carabao-based enterprises in the identified provinces to create livelihood for farmers. Its target is to catalyze the development of the dairy sector in each province through herd build-up of genetically improved dairy carabaos, provide processing equipment and supplies, establish market outlets and continued provision of capacity building activities and support services.
- 13.3 The PCC adopted the Cooperative Conduit Scheme (CCS) to carry out the program effectively. Under this scheme, the Center assists in the identification and selection of a cooperative with proven track record in terms of community development in coordination with the Provincial or Local Government Unit (LGU) concerned. The Cooperative will serve as a channel for the provision of assets to qualified farmers and ensures that these assets will be used to improve the livelihood of its farmer-members.
- 13.4 Notwithstanding the delivery of buffaloes and provision of necessary equipment and facilities to farmers, the gains from the CBIN project may not be fully optimized due to some of the following concerns in the implementation as further noted in the audit and validation of the project documents:
 - a) Non-compliance with the Technical Specifications of buffaloes**
- 13.5 One of the significant factors in ensuring sustainability of the CBIN project lies in viewing the original stocks of dairy buffaloes as investment stimuli to create a “network” or clusters of carabao milk producers which will contribute to the herd build-up momentum.
- 13.6 The Manual of Procedures for the Procurement of Goods and Services, Volume II as prescribed by the Government Procurement Policy Board (GPPB) states, among others, that *the specifications and other terms in the bidding documents shall reflect minimum requirements.*
- 13.7 Relative thereto, the Technical Specifications which made an integral part of the Contract Agreement entered by and between the PCC and the Supplier laid out the specific parameters to be applied during the contract implementation, more particularly on the qualifications of the buffaloes to be delivered.

- 13.8 In accordance with the Technical Specifications provided, crossbred buffaloes should be identified thru proper Ear Tag with the following prescribed minimum weight and body condition score (BCS) depending on the age category as follows:

Table 37. Technical Specifications for Crossbred/Purebred Dairy Buffaloes

Age (months)	Minimum Weight (kg)	BCS (not less than)	Remarks
18-23	260	3.0	No reproductive problem by ovarian palpation or ultrasound diagnosis
24-27	280	3.0	
28-29	300	3.0	
30-35	320	3.0	
36-42	350	3.0	

- 13.9 Relatively, according to PCC animal experts, the rule of thumb provided for an average mature body weight is 300 kgs. to 400 kgs. for female buffaloes as exemplified by the following pictures:



Average mature body condition of female buffaloes

Photo credits: Dr. E. Flores and Dr. E. Palacpac

- 13.10 Relatedly, the Purchase Request (PR) dated January 3, 2023 by the PCC at CLSU indicated the following specifications of breeding animals:

Table 38. Specifications of buffaloes to be procured by the PCC at CLSU

Item Description/Specifications	No. of Heads	Location of Delivery
Supply and Delivery of Buffaloes, 30 months old and above, at least 320 kilos and above , Crossbred/Purebred	56	Castillejos, Zambales
	56	Lubao, Pampanga
	31	Science City of Munoz, Nueva Ecija
Total	143	

- 13.11 However, in the Veterinary Inspection Reports and Results of Weighing of Animals attached to payment for deliveries of crossbred buffaloes in Castillejos, Zambales and Lubao, Pampanga, 56 or 50% out of the 112 heads of animals delivered appeared to have not met the prescribed weight requirement of at least 320 kilograms as noted during pre-inspection of animals:



Animal ID No.: **5ZMB23002**
 Estimated Age: **2-3 yrs.**
 Actual Weight: **290 kgs.**

- 13.12 Meanwhile, interview with one of the staff assigned at the PCC at CLSU Dairy Farm disclosed that there is a strong correlation between the animal's weight and its reproduction. It follows that when a female buffalo has not reached its optimal weight relative to its age, reproductive efficiency is often compromised and may result into late sexual maturity and poor conception rates, among others.
- 13.13 Similarly, validation with farmer beneficiaries under the PCC at MMSU to ascertain whether the delivered buffaloes conformed with the descriptions indicated in the Purchase Order (PO) disclosed the following discrepancies:

Table 39. Variances in specifications of delivered animals

Particulars	Specification of Animals per PO	Delivered Animals
Age	Breedable age of 20 to 30 months	Less than or equal to 26 months
Weight	250 to 300 kgs.	150 to 350 kgs.

- 13.14 As regards the age and weight of the buffalo, nine out of 15 respondents confirmed that they received the subject animal with less than 250 kgs. based on the measurements done by the PCC at MMSU technician. Given this information, the age of the buffalo is more or less 13 months in accordance with the average weight and height provided in the guidelines of measurements by the PCC.
- 13.15 Furthermore, it was reported that only one out of 45 distributed buffaloes gave birth due to the following causes/reasons as identified by the farmer beneficiaries and technicians:

- Unsuccessful breeding from artificial insemination (AI) services;

- Buffaloes were not inseminated during the estrus period; and
- Buffaloes are too young and not yet ready for breeding.

13.16 Consequently, the foregoing distribution of animals that fell below the prescribed specifications may affect the timely enjoyment of benefits thereof as reported by some farmer-beneficiaries.

**b) Non-utilization of various structures, machinery and equipment-
₱11,939,912.83**

13.17 To operationalize the project, various machinery and equipment were procured for distribution to various recipient-cooperatives. These included a milking machine, dairy processing equipment, containerized processing and marketing unit, freezer, display chiller, chopper engine and motorcycle.

13.18 Validation of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) submitted by the PCC at MMSU revealed that there were properties purchased for the implementation CBIN project from 2019 to 2023 which remained undistributed and idle as at year-end as summarized below:

Table 40. Unutilized/Idle PPE items under the CBIN Project

Regional Center		Unutilized Structure/ Machinery/ Equipment	Total Cost
PCC at Don Mariano Marcos Memorial State University (DMMMSU)	-	Processing area	₱1,189,000.00
PCC at La Carlota Stock Farm (LCSF)	-	Dairy processing equipment	2,230,815.00
PCC at Mariano Marcos State University (MMSU)	-	Various milk processing equipment and motorcycles	8,520,097.83
Grand Total			₱11,939,912.83

13.19 Further inspection and validation with project recipients disclosed the following reasons for the reported non-utilization of structures, machinery and equipment procured out of the project funds:

- The milk processing equipment distributed by the PCC at DMMMSU remains unutilized due to the low demand for milk products;
- According to the Program-in-Charge at the PCC at LCSF, an unused dairy processing equipment costing ₱1,240,815.00 was stored in one of the Cooperative Member's house for safekeeping due to insufficient storage place in the Campus. Moreover, the containerized processing and marketing units purchased on January 31, 2022, amounting to ₱990,000.00 was not yet utilized due to the unavailability of water facility in the processing plant, although the installation was already completed.; and
- Interview with the Program Coordinator and Supply Officer of PCC at MMSU disclosed that some equipment have not yet been utilized by the beneficiaries

due to non-compliance with the terms of the Usufruct Agreement (UA) that the Plant shall be used by the Cooperative and delay in the preparation of UA and/or Memorandum of Agreement (MOA).

13.20 These occurrences manifested poor strategic planning and inadequate monitoring by the Centers contrary to the policy of the State that all resources shall be used appropriately. Further, the delay in the utilization of these equipment can affect their physical condition and operational efficacy over time and expose these assets to risk of loss and deterioration thus affecting the output expected from the project implementation.

c) Non-compliance with some provisions of the Buffalo Dispersal Agreement

13.21 Post-audit of project documents and validation with farmer-beneficiaries disclosed various deficiencies inconsistent with the project implementing guidelines as outlined in the Buffalo Dispersal Agreement:

i) *Absence of perfected Contract Agreements*

13.22 Item 1.2 of the Dairy Buffalo Dispersal Agreement (DBDA) made and executed by and between the PCC and Cooperative provides, among others, that the Cooperative shall:

1.2.2 *Accept and manage the dispersal of dairy buffalos (referred to in Annex "A" hereof) to selected qualified members pursuant to the agreement between the cooperative and farmer-member (referred to in Annex "B" hereof)."*

1.2.3 *Xx*

1.2.4 *Ensure proper recording is done, collect, keep, and maintain the following records and submit to PCC:*

1.2.4a Submit Monthly Financial records and other important records about the Program including the Guarantee Fund or animal insurance and allow the PCC to view them; and

1.2.4b Individual animal record (IAR) from each participating farmer-trustee and provide updated monthly copies to PCC xxx"

13.23 Moreover, the DBDA provides that the dispersal of the dairy buffaloes by cooperatives to selected qualified farmer-members must be covered with a Memorandum of Agreement (MOA). Annex B of the DBDA, which is a pro-forma MOA between the cooperative and farmer-member, outlines the obligations to be complied by both parties.

13.24 However, review of the project documents disclosed that the DBDA by and between the PCC at LCSF and the two Cooperatives were not yet perfected.

13.25 Likewise, it was noted in the PCC at CSU that 19 out of 40 farmer-trustees specified that they did not sign any MOA with the Cooperatives.

- ii) *Inadequate farmer's training, housing, forage/pasture area and insurance coverage*

13.26 The Obligations of the Cooperative in Articles 2.3.7 and 2.3.13 of the MOA include among others, the following:

2.3.7 Ensure the availability of housing and forage/pasture area of farmer-recipient;

2.3.13 Keep financial records and other important records about the program including the Guarantee Fund or animal insurance and allow the PCC to view them anytime.

13.27 Further inspection conducted by the Audit Team and interview with the concerned Cooperative Chairpersons disclosed the following deficiencies or instances of non-compliance by the parties with the relevant provisions of the DBDA or the MOA:

Table 41. Summary of non-compliance with the provisions of DBDA/MOA

Regional Center	No. of Buffaloes Distributed	Noted deficiencies/ Non-compliance with the DBDA/MOA
PCC at Mariano Marcos State University (MMSU)	183	Lack of adequate (i) Individual Animal Record; (ii) housing; (iii) forage area; and (iv) insurance coverage
PCC at Visayas State University (VSU)	120	Lack of adequate (i) farmer's training; (ii) housing; (iii) forage area; and (iv) insurance coverage
PCC at West Visayas State University (WVSU)	Not indicated	Inadequate data on mortalities or disposal of dispersed buffaloes
Total	203	

13.28 Moreover, it was noted that the dairy buffaloes were not covered with insurance, as there were no records on file with the concerned cooperative, inconsistent with the farmer's obligation to insure the animals in favor of the Cooperative. It must be emphasized that the average market price of the dead dairy buffalo was at ₱45,000.00 to ₱55,000.00. The farmers and the Cooperative concerned will have to shoulder the cost, in order to replace the animals, due to the non-procurement of insurance coverage.

- iii) *Existence of probable hard breeders/unproductive buffaloes*

13.29 Article 2.2 and 2.4 of the DBDA provides, among others, the following provisions in the dispersal scheme:

2.2 In order to sustain the implementation of the program in the community, the cooperative has to assure compliance to the required replacement of each dispersed female buffalo with one (1) female dairy buffalo within a period of four (4) years.

2.4 In the event that the Cooperative cannot replace the corresponding number of buffaloes due to the presence of hard breeder, unproductive

buffalo, male calves, mortalities, etc., the animals may be replaced by the Cooperative through barter or procurement of the replacement subject to inspection and approval of PCC. xxx”

- 13.30 Culled from the survey conducted with the farmer-recipients under the CBIN project of the PCC at Cagayan State University (CSU) were the following information:

Table 42. Summary of Probable Hard Breeders/Unproductive Buffaloes

Location	Total No. of Respondents	Total No. of Dispersed Buffaloes	No. of Mother Buffaloes
Tuao, Cagayan	17	48	4
San Pablo, Isabela	23	48	14
Grand Total	40	96	18

- 13.31 It can be gleaned from the table presented that 40 respondents confirmed the existence of 96 heads of buffalo entrusted to them. However, some of these farmer-recipients conveyed the existence of probable unproductive/hard breeders indicating that buffaloes did not conceive despite multiple interventions through Artificial Insemination (AI) techniques.
- 13.32 Overall, the deficiencies noted in the implementation of the program hindered not only the optimization of the benefits, but also posed a threat to the attainment of project's objectives of establishing a CBIN that is inclusive, sustainable, and highly competitive, as well as effectively contributing to the development of the local dairy industry while addressing the problems on poverty and malnutrition.
- 13.33 **We recommended that the Executive Director instruct the Center Directors concerned to undertake the following courses of action:**
- a) Instruct the CBIN Project Coordinator of PCC at CLSU and MMSU to (i) initiate discussions among the concerned Agency officials and stakeholders for the procurement of animals that are ready for breeding in accordance with the Technical Specifications stated in the procurement documents; and (ii) enjoin project staffs at the field for the provision of technical support towards enhancing breeding capability of animals;**
 - b) Direct the Project Coordinator of PCC at DMMMSU, LCSF and MMSU to (i) exercise prudence in selecting facilities/equipment for its programs; and; (ii) formulate plans to utilize the processing area and equipment in order not to put into waste the resources invested for the purpose;**
 - c) Advise the Project Coordinator of PCC at VSU to conduct the necessary seminars and trainings for the farmer-beneficiaries such as social preparation, proper handling and milking of buffaloes, recordkeeping and marketing;**
 - d) Direct the Project Coordinator of PCC at CSU to (i) enforce compliance by the Cooperatives with their obligations to execute a MOA with farmer-**

members; and (ii) implement viable solutions or remedies to address hard breeders/unproductive buffaloes; and

e) Immediately issue a directive to the concerned Cooperatives under the PCC at MMSU and VSU requiring them to:

- (i) provide adequate housing and forage area;
- (ii) secure insurance coverage of dairy buffaloes;
- (iii) maintain Individual Animal Record or reports on buffalo mortality; and
- (iv) strictly comply with their obligations under the DBDA to avoid conditions which would warrant the repossession of the dispersed buffaloes and termination of the Agreement.

13.34 During the Exit Conference, Management of Regional Centers concerned have admitted their inadequate monitoring in the distribution of the animals for the CBIN project. Accordingly, they agreed to comply with the recommendations of the Audit Team to demonstrate their commitment to achieve the objectives of the project and to contribute significantly to the success of dairy industry in the country.

14. Lapses in the planning and implementation of the Dairy Herd Build-Up of Genetically Improved Buffaloes (DHBU) Project by the PCC at Cagayan State University (CSU) resulted to losses totaling ₱825,000.00 due to animal mortality, thereby posing risk of inability to the project goals and objectives of increasing the national dairy buffalo herd that will boost local milk production, and thereby contributing to food security and economic development.

14.1 The PCC, with the support of the Senate Committee on Agriculture, Food, and Agrarian Reform, has funded the Dairy Herd Build-Up of Genetically Improved Buffaloes (DHBU) Project which was launched in April 2023. This is in response to the report made by the Philippine Statistics Authority (PSA) in CY 2021 that, of the 2.82 million carabaos in the country, only 17,907 were registered as dairy buffaloes.

14.2 The DHBU project aims to increase the dairy herd population of buffaloes, through intensified genetically improved calf production, to boost local milk production, thereby contributing to food security and national economic development.

14.3 Under this project, the PCC will procure breeding stocks for distribution and provide support requirements along the value chain. This project also aims to tap the partnership of the Farmer Cooperatives and Association (FCAs) enterprises to facilitate the procurement of genetically improved (GI) carabaos as suppliers of animals, and in rearing the pregnant buffaloes before they can be distributed to farmer-beneficiaries. Their participation and cooperation in the DHBU Project aim to ensure that project goals and objectives are attained.

14.4 To operationalize the project, PCC at CSU has exerted diligent efforts in procuring the target number of buffaloes and supervising the construction of the rearing house which all started in September 2023. The Center Director informed the team

that they were able to hire additional personnel and successfully screen partner FCAs.

14.5 Nevertheless, despite diligent efforts exerted by the Center, the following lapses were observed and noted:

a) Procurement and delivery of buffaloes were initiated despite lack of sufficient infrastructure facilities and food supply

14.6 An ocular inspection conducted by the team on February 13, 2024 revealed that housing facilities (includes water facilities) for the DHBU Project are still under construction and are expected to be completed and fully operational in April 2024. Despite non-completion of the facilities, the Center proceeded to procure the target number of heads, of which 60% or 270 of 450 buffaloes were delivered. This has led to the various problems encountered by the center that has put the government in a disadvantageous position, among others:

i) Death of 11 heads of buffaloes amounting to ₱825,000.00 from November 2023 to February 2024

14.7 The Audit Team started receiving notices of loss from PCC on November 3, 2023, due to death of a buffalo under the DHBU project. The notice was followed by another on November 5, 2023 and every month thereafter, the latest of which was inspected on February 17, 2024.

14.8 Interview with the Center Director revealed that monitoring on the health status of the carabaos could have been facilitated had the housing facilities been completed prior to the procurement and delivery of the animals. Their failing health conditions could have been noticed and diagnosed on time and, thus, proper or immediate care could have been extended to these buffaloes.

14.9 The Audit Team also gathered that due to its expanding buffalo herd at the Institutional Farm, the food supply of grazing animals could no longer be sustained. The *napier* grasses that are grown inside the 18 hectares plantation in the farm are not enough to feed the 270 buffaloes. At most, the plantation can only yield 40 tons of *napier* every 90 days after planting which could sustain the 270 buffaloes feed intake only for an average of five (5) days. The Center also relies on the availability of other farm by-products in the area, such as rice straw and corn husk which, according to the PCC personnel, are not enough for the daily feed supply for its expanding buffalo herd.

14.10 It should be noted that each buffalo cost ₱75,000.00, and the death of 11 buffaloes have already resulted in government losing ₱825,000.00 without the project attaining its goals and objectives.

14.11 The Center Director informed the team, however, that after two-failed biddings for the procurement of feed materials in CY 2023, PCC is now negotiating with a supplier for the delivery of silage, which is a crucial feed source for dairy buffaloes.

ii) Delay in the conduct of Artificial Insemination (AI) services

- 14.12 According to the Center Director, artificial insemination requires that the female buffaloes be in optimal health and weight before they can be subjected to such process.
- 14.13 However, timely AI cannot be attained due to the significant loss of weight suffered by the buffaloes since their arrival. These conditions can be attributable to the lack of proper housing and water facilities and food supply for buffaloes at the farm. As a result, the attainment of the project timeline, that is, to be able to distribute the calves to farmer beneficiaries in year 2 of the DHBU Project (i.e year 2024), could be delayed.

iii) Delay in the delivery of 180 heads of buffaloes

- 14.14 According to the Center Director, they were forced to stop the delivery of the remaining 180 heads of buffaloes until the completion of the facility, thus, greatly affecting the attainment of the project's timeline. It was further communicated with the team that the Center can no longer cater to the caring of remaining undelivered 180 heads as the current facilities of the center are already overcrowded.
- 14.15 The Center Director informed the Team that the PCC and the supplier of carabaos had mutually agreed that the delivery of the remaining animals shall be temporarily placed on hold, pending completion of the construction of housing facilities. It was noted though that there was no written authority for said agreement.
- 14.16 The Center Director claimed that they were compelled to procure the large number of carabaos sans completion of the housing facilities and sufficient feed supply to avoid lapsing of funds and to strictly follow the timeline outlined in the DHBU Program Implementation.

b) Absence of Memorandum of Agreement between the PCC and partner Cooperatives

- 14.17 The Memorandum of Agreement (MOA) between PCC and partner FCAs was not yet in place, thus, depriving the center of the much-needed help in optimally raising and caring for the buffaloes in their custody. The Center Director explained that the PCC cannot tap the help of the partner FCA pending finalization of the MOA, which is still undergoing revision.
- 14.18 As embodied in the project brief, FCAs are PCC's partners in caring for and raising the buffaloes under the DHBU project. This partnership could have been of great help in lessening the burden being encountered by the Center in taking care of the 259 buffaloes in their custody and providing temporary shelters and feed supply, pending completion of the infrastructure facilities at PCC's institutional farm.
- 14.19 The lapses noted had undermined the project's goal and objectives and thus, must be addressed at the earliest possible time to avoid the government from incurring unnecessary loss and expenses and to be able to give life to the noble intention of DHBU project.

- 14.20 **We recommended that the Executive Director instruct the Center Director of PCC at Cagayan State University (CSU) to undertake the following courses of action:**
- a) Direct the concerned PCC at CSU officials to execute a (i) Memorandum of Agreement between the PCC and partner Cooperatives; and (ii) written agreement with the supplier relative to the terms agreed upon for the temporary postponement of the delivery of carabaos to protect the interest of both parties;**
 - b) Advise the Project Coordinators to consider revisiting the project's targets and timeline to be able to set a more realistic goal and schedule taking into consideration the current state of the center; and**
 - c) As a way forward, ensure adequate infrastructure facilities and food supply prior to procurement and delivery of buffaloes to prevent the increasing number of animal mortality and to ensure the attainment of the DHBU goals and objectives.**
- 14.21 Management admitted that the decisions regarding the procurement and delivery of buffaloes were not optimal and contributed to the challenges encountered in the project. They added that the project encountered strict utilization and completion deadlines and that delaying the procurement could have jeopardized the project's eligibility for continued funding and could result in difficulty in securing a reliable supplier capable of delivering the required number of genetically improved buffaloes within the allotted timeframe.
- 14.22 As regards the increased mortality rate of buffaloes, Management stated that actions were taken to address the concern including temporary housing solutions, securing additional feed sources, and procurement of forage corn and napier grass. Further, they also informed that preventive measures were adopted such as improved health monitoring and enhanced staff training.
- 14.23 Management also commented that measures were implemented to improve the health and weight of the buffaloes such as improved nutrition through increased frequency and quantity of concentrates, as well as enhanced veterinary care, ultimately facilitating timely Artificial Insemination.
- 15. The PCC has substantially complied with pertinent provisions of the Bureau of Internal Revenue (BIR) Regulations, Government Service Insurance System (GSIS) Act of 1997, Home Development Mutual Fund (HDMF) Law of 2009 and National Health Insurance Act of 2013 in the proper withholding and timely remittance of taxes due to the BIR and premiums/contributions, including government share due to the GSIS, Pag-IBIG and PhilHealth for the Calendar Year (CY) 2023.**

a) Compliance with Tax Laws

- 15.1 BIR Revenue Regulations No. 10-2008 dated July 8, 2008 provides that *all government offices are constituted as withholding agents for purposes of the creditable tax required to be withheld on income payments from compensation, contractors, suppliers of goods and services. As withholding agents, they are primarily liable for the payment of the taxes to the National Treasury through the BIR.*
- 15.2 Moreover, Revenue Regulations No. 1-2013 dated January 23, 2013 provides that *filing of returns and payment of taxes shall be made on or before the 10th day following the month in which withholding was made, except for taxes withheld for the month of December of each year, which shall be filed on or before January 15 of the succeeding year.*
- 15.3 Evaluation of Agency's compliance with prevailing tax laws and regulations during CY 2023 indicated that the Agency consistently remitted the income and expanded taxes withheld from its employees and suppliers/contractors, showcasing a commitment to strict compliance with the relevant regulations, detailed as follows:

Table 43. Taxes Withheld and Remitted during CY 2023

CY 2023 Month	Due to BIR Beginning	Taxes Withheld	Taxes Remitted	Ending Balance
January	₱4,245,026.13	₱2,596,762.98	₱2,264,484.14	₱4,577,304.97
February	4,577,304.97	2,362,188.44	2,412,075.65	4,527,417.76
March	4,527,417.76	3,143,775.48	2,480,455.19	5,190,738.05
April	5,190,738.05	4,610,135.31	1,995,642.15	7,805,231.21
May	7,805,231.21	6,600,055.07	5,725,935.95	8,679,347.33
June	8,679,347.33	5,018,648.64	5,731,504.47	7,966,491.50
July	7,966,491.50	3,993,027.76	4,444,706.49	7,514,812.77
August	7,514,812.77	3,602,643.00	3,672,179.08	7,445,276.69
September	7,445,276.69	3,818,903.55	4,097,891.82	7,166,288.42
October	7,166,288.42	4,428,240.11	3,310,183.62	8,284,344.91
November	8,284,344.91	5,260,377.01	4,782,965.60	8,761,756.32
December	8,761,756.32	7,952,584.88	7,587,977.41	9,126,363.79
Total	₱4,245,026.13	₱53,387,342.23	₱48,506,004.57	₱9,126,363.79

- 15.4 Verification of available records disclosed that the remaining balance of ₱9,126,363.79 was remitted in the ensuing year as shown in the Electronic Tax Payment System (e-TPS) Confirmation Receipts. All the remittances for CY 2023 were made on time as required in the above-cited regulation thereby ensuring prompt collection of revenues needed to finance government operations.

b) Compliance with the Government Service Insurance System (GSIS) Act of 1997

- 15.5 The Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 8291, otherwise known as the GSIS Act of 1997, provides the procedures for the remittance of contributions.

Section 14. Remittance of Contributions:

14.1 Each Government agency shall remit directly to the GSIS the employees' and government agency's contribution within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the government agency of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries, and wages of its employees.

14.2 The government agency shall also deduct from the fixed monthly compensation of the employee the loan amortization (consolidated loans, policy loan, emergency loan, housing loan, and other loans), premium payments (optional, pre-need, and other non-life insurance) and other amounts to the GSIS.

- 15.6 For CY 2023, PCC remitted a total amount of ₱24,937,425.34 from the total GSIS contributions and loan amortizations of ₱24,966,320.45 as of December 31, 2023 as shown in the table below:

Table 44. GSIS contributions/premiums withheld and remitted during CY 2023

CY 2023 Month	Beginning Balance	Collections	Remittance	Ending Balance
January	₱ 598,187.06	₱ 1,855,689.12	₱ 1,724,729.04	₱ 729,147.14
February	729,147.14	1,758,076.79	1,309,011.13	1,178,212.80
March	1,178,212.80	2,401,837.52	2,845,625.38	734,424.94
April	734,424.94	1,706,826.00	1,223,989.98	1,217,260.96
May	1,217,260.96	2,545,035.29	3,012,200.54	750,095.71
June	750,095.71	2,016,060.41	2,166,632.87	599,523.25
July	599,523.25	1,706,665.44	1,089,443.12	1,216,735.57
August	1,216,735.57	2,521,950.06	3,136,552.49	602,133.14
September	602,133.14	2,100,612.38	2,034,141.59	668,603.93
October	668,603.93	2,172,291.50	2,313,576.82	527,318.61
November	527,318.61	2,095,924.43	2,002,891.47	620,351.57
December	620,351.57	2,085,361.51	2,078,630.91	627,082.17
Total	₱598,187.06	₱24,966,320.45	₱24,937,425.34	₱627,082.17

- 15.7 Audit of the payrolls and remittances of the employee's and employer's share of GSIS contributions for the period covered January 1 to December 31, 2023 disclosed that these were in accordance with the prescribed rate of contributions and consistently remitted to the GSIS in conformity with the provisions of the above cited regulations. The ending balance of ₱627,082.17 was duly remitted in the ensuing year.

c) Compliance with the Home Development Mutual Fund (HDMF) Law of 2009

- 15.8 Section I, Rule VI of the IRR of Republic Act (R.A.) No. 9679 otherwise known as the Home Development Fund (HDMF) Law of 2009, provides the following regulations:

Section 1. Rate of Contributions. Covered employees and employers shall contribute to the Fund based on the monthly compensation of covered employees as follows:

- a. Employees earning not more than One thousand five hundred pesos (P1,500.00) per month – one percent (1%).
- b. Employees earning more than One thousand five hundred pesos (P1,500.00) per month -two percent (2%).
- c. All employers – two percent (2%) of the monthly compensation of all covered employees.

The maximum monthly compensation to be used in computing employee and employer contributions shall not be more than Five thousand pesos (P5,000.00); Provided, that this maximum and the contribution rates may be fixed from time to time by the Board through rules and regulations adopted by it, taking into consideration actuarial calculations and rates of benefits. Provided further, that the foregoing rates shall likewise be the same for the self-employed and voluntary members.

A member may, however, be allowed to contribute more than what is required herein should he or she so desires. The employer, however, shall only be mandated to contribute what is required under these Rules unless the employer agrees to match the member's increased contribution.

- 15.9 The audit of payrolls and remittances of HDMF premium contributions for CY 2023 disclosed that the government share for each employee was properly accounted and promptly remitted, thus, leaving a balance of ₱256,280.87 at year-end, which was remitted in the ensuing year, details of which are shown in the table below:

Table 45. Pag-IBIG contributions/premiums withheld and remitted during CY 2023

CY 2023 Month	Beginning Balance	Contributions	Remittances	Ending Balance
January	₱136,959.93	₱166,291.15	₱86,100.62	₱ 217,150.46
February	217,150.46	264,137.91	264,731.51	216,556.86
March	216,556.86	209,065.31	181,922.61	243,699.56
April	243,699.56	215,798.36	137,405.02	322,092.90
May	322,092.90	231,470.02	280,941.45	272,621.47
June	272,621.47	219,543.62	208,523.33	283,641.76
July	283,641.76	220,207.81	248,283.68	255,565.89
August	255,565.89	238,082.67	319,834.98	173,813.58
September	173,813.58	219,790.40	124,976.98	268,627.00
October	268,627.00	223,371.60	330,869.16	161,129.44
November	161,129.44	217,429.69	173,427.04	205,132.09
December	205,132.09	250,176.89	199,028.11	256,280.87
Total	₱136,959.93	₱2,675,365.43	₱2,556,044.49	₱256,280.87

d) Compliance with R.A. No. 10606 or the National Health Insurance Act of 2013

- 15.10 Section 4 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 10606 or the National Health Insurance Act of 2013 mandates that *all citizens of the Philippines shall be covered by the National Health Insurance Program.*
- 15.11 Section 16 of the RIRR also states that *members in the formal economy shall continue paying the monthly contributions to be shared equally by the employer and the employee-members at a prescribed rate set by the PhilHealth not exceeding five percent (5%) of their respective basic monthly salaries.*
- 15.12 For CY 2023, the Agency substantially complied with the provisions of R.A. No. 10606 as contributions deducted from employees together with the government shares which were substantially remitted to the PhilHealth as shown in the following table:

Table 46. PhilHealth contributions/premiums withheld and remitted during CY 2023

CY 2023 Month	Beginning Balance	Contributions	Remittances	Ending Balance
January	₱110,733.05	₱206,874.00	₱178,621.97	₱138,985.08
February	138,985.08	182,655.80	184,814.33	136,826.55
March	136,826.55	266,763.18	311,520.71	92,092.02
April	92,069.02	168,339.90	106,503.04	153,905.88
May	153,905.88	272,599.14	324,544.14	101,960.88
June	101,960.88	218,014.23	234,816.62	85,158.49
July	85,158.49	223,688.21	175,333.78	133,512.92
August	133,512.92	231,329.24	267,735.85	97,106.31
September	97,106.31	222,972.94	194,107.92	125,971.33
October	125,971.33	241,683.13	274,105.60	93,548.86
November	93,548.86	218,847.39	197,347.96	115,048.29
December	115,048.29	247,877.64	218,877.18	144,048.75
Total	₱110,733.05	₱2,701,644.80	₱2,668,329.10	₱144,048.75

- 15.13 The Agency generally remitted the contributions deducted from employees on or before the 10th day of the following month in accordance with Section 20(b) of the RIRR of R.A. No. 7875, as amended. The ending balance of ₱144,048.75 pertained to the contributions for remittance to PhilHealth in the ensuing period.
- 15.14 **We recommended that the Executive Director instruct the Administrative and Financial Management Division (AFMD) to continue complying with pertinent laws, rules and regulations on the proper withholding and timely remittance of taxes due to the BIR and premiums/contributions, including government share due to the GSIS, Pag-IBIG and PhilHealth to assure all its members of the benefits due them.**
- 15.15 During the Exit Conference, Management committed to continuously comply with the pertinent laws, rules and regulations on the proper withholding and remittances of payments due to the BIR, GSIS, Pag-IBIG and PhilHealth.

16. The PCC National Headquarters and Gene Pool (NHGP) and eight Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2023. However, the Regional Centers at Central Mindanao University (CMU), Don Mariano Marcos Memorial State University (DMMMSU), Mindanao Livestock Production Center (MLPC) and Ubay Stock Farm (USF) had outstanding suspensions totaling ₱16,185,926.51 and audit disallowances of ₱104,225.87 as reflected in the submitted Management Letters (MLs).

16.1 COA Circular No. 2009-006 dated September 15, 2009 was issued to prescribe the Rules and Regulations on Settlement of Accounts (RRSA) which superseded COA Circular No. 94-001 and COA Memorandum No. 2002-053 dated January 20, 1994 and August 26, 2002, respectively.

16.2 Section 5.1 of the Circular provides the following:

Settlement of accounts is the process of determining the balance of the account of an accountable officer, through an audit and examination thereof, to verify the total debits and total credits that may be allowed. Such balance represents the disallowance or charge which shall be his accountability. A suspension may likewise result from such audits as provided in these Rules.

16.3 It was provided further in Section 5.4 of the Circular that:

An audit suspension or disallowance/charge shall be settled by the persons responsible or liable therefor through compliance with the requirements, or payments/restitution or by any of the modes of extinguishment of obligation provided by law, respectively. A Notice of Settlement of Suspension/Disallowance/Charge (NSSDC) shall be issued for such settlement.

16.4 The PCC-NHGP and the Regional Centers at CLSU, CSU, LCSF, MMSU, UPLB, USM, VSU and WVSU reported no outstanding balances of Suspensions, Disallowances and Charges as of year-end. However, the aggregate balances of Suspensions and Disallowances for the Regional Centers at CMU, DMMMSU, MLPC and USF were reflected in their respective Management Letter (ML). Presented below are the details:

Table 47. Balances of Audit Suspensions and Disallowances as of Dec. 31, 2023

Regional Center	Suspensions	Disallowances	Total
<i>Beginning Balance, 01/01/2023</i>			
PCC at CMU	₱ 736,106.92	₱ 0.00	₱ 736,106.92
PCC at DMMMSU	0.00	0.00	0.00
PCC at LCSF	0.00	93,000.00	93,000.00
PCC at MLPC	33,598,700.03	127,496.65	33,726,196.68
PCC at USF	0.00	36,823.00	36,823.00

Regional Center	Suspensions	Disallowances	Total
<i>Add: Issuances during the year</i>			
PCC at CMU	0.00	0.00	0.00
PCC at DMMMSU	225,976.54	0.00	225,976.54
PCC at LCSF	0.00	0.00	0.00
PCC at MLPC	0.00	0.00	0.00
PCC at USF	0.00	0.00	0.00
<i>Less: Settlements during the year</i>			
PCC at CMU	(692,912.62)	0.00	(692,912.62)
PCC at DMMMSU	0.00	0.00	0.00
PCC at LCSF	0.00	(93,000.00)	(93,000.00)
PCC at MLPC	(17,671,698.36)	(60,093.24)	(17,731,791.60)
PCC at USF	0.00	0.00	0.00
Ending Balance, 12/31/2023			
PCC at CMU	43,194.30	0.00	43,194.30
PCC at DMMMSU	225,976.54	0.00	225,976.54
PCC at LCSF	0.00	0.00	0.00
PCC at MLPC	15,916,755.67	67,402.87	15,984,158.54
PCC at USF	0.00	36,823.00	36,823.00
Total Ending Balance, 12/31/2023	₱16,185,926.51	₱104,225.87	₱16,290,152.38

- 16.5 We recommended that the Executive Director instruct the Center Directors concerned to (a) enforce the immediate settlement of the audit suspensions to avoid the same from maturing into disallowances; and (b) require persons liable to settle the audit disallowances in the manner prescribed under the RRSA.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 75 audit recommendations embodied in the prior years' Consolidated Annual Audit Report (CAAR), 49 or 65.33% were fully implemented and 26 or 34.67% were not implemented.

Reference	Observations	Recommendations	Status of Implementation
CY 2022 CAAR, Observation No. 1, page 30	The reported balance of the Receivables account with a carrying amount of ₱109,667,376.99 was not fairly presented in the year-end financial statements due to (a) unrecognized receivables totaling ₱27,733,576.70 by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Mariano Marcos State University (MMSU), Central Mindanao University (CMU) and University of the Philippines- Los Baños (UPLB); (b) non-derecognition of receivables totaling ₱964,602.00 representing cost of buffaloes transferred by the PCC at Mindanao Livestock Production Center (MLPC) to various Local Government Units (LGUs) and farmer-beneficiaries; (c) doubtful collectability of receivables totaling ₱2,747,919.68 by the Regional Centers at Cagayan State University (CSU) and	We recommended the Executive Director to instruct the:	Fully Implemented
		a) PCC NHGP, MMSU, CMU and UPLB to prepare the necessary reports enable the Accounting Unit to comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; and draw the necessary adjusting entries in the books of accounts for proper recognition of receivables totaling ₱27,733,576.70;	Fully Implemented
		b) PCC at MLPC Accounting Unit to: (i) Make the necessary adjusting entries for the buffaloes transferred totaling ₱964,602.00; and (ii) Program Coordinators to expedite the gathering of pertinent data supporting the various transfers of buffaloes and submit documents to the Accounting Office to effect necessary adjustments in the books of accounts;	Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
	<p>MLPC; and (d) inadequate documentation to support receivables totaling ₱1,610,198.00 by the PCC at Visayas State University (VSU), inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and the Diary Buffalo Dispersal Agreement.</p>	<p>c) Center Director of</p> <p>(i) PCC at CSU to initiate efforts in requesting for authority from the COA to write-off dormant receivables that are deemed uncollectible after all remedies have been exhausted; and</p> <p>(ii) PCC at MLPC to intensify collection efforts and send demand letters to debtors on a regular basis.</p> <p>d) Administrative and Financial Management Division to formulate an accounting policy for the provision of Allowance Impairment for Receivables.</p> <p>e) Center Director of PCC at VSU to require the Accounting Unit to submit the COA Office the copies of signed journal entry vouchers (JEVs) with complete supporting documents.</p>	<p>Not Implemented</p> <p>Difficulty in the delivery of demand letters to the AOs.</p> <p>Not Implemented</p> <p>Uncollected balance of ARs.</p> <p>Not implemented</p> <p>Management has yet to formulate the said guidelines.</p> <p>Fully Implemented</p> <p>Reiterated in Audit Observation No. 5 of this CAAR. This observation was initially included in the CAAR for CY 2021.</p>
<p>CY 2022 CAAR, Observation No. 2, page 40</p>	<p>Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) unrecognized buffaloes totaling ₱874,000.00 by the PCC at NHGP and Central Luzon State University (CLSU); (b) non-revaluation of</p>	<p>We recommended the Executive Director to undertake the following courses of action:</p> <p>a) Instruct the Accounting and Property Sections of PCC NHGP and CLSU to:</p> <p>(i) Recognize in their respective records the book value of animals to</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>animals resulting to understatement of Assets and Accumulated Surplus/(Deficit) accounts by ₱659,812.50 of the PCC at CLSU; (c) non-derecognition of sold and slaughtered animals totaling ₱983,250.00 by the PCC at CLSU and Central Mindanao University (CMU); (d) existence of dead and culled buffaloes totaling ₱581,750.00 in the Report on the Physical Count of Biological Assets of the PCC at VSU; (e) unaccounted animals totaling ₱2,317,500.00 by the PCC at NHGP and CLSU; and (f) non-preparation of Quarterly Report on Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC) by the PCC at NHGP, CMU and UPLB, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.</p>	<p>its appropriate Biological Assets sub-account;</p> <p>(ii) Investigate the status of unaccounted or non-existing animals;</p> <p>(iii) Secure documents to support the disposition of animals for preparation of corresponding Property Transfer Reports (PTRs); and</p> <p>(iv) Consistently apply the valuation policy established on Biological Assets;</p> <p>b) Advise the Accounting Section of PCC at CLSU and CMU to derecognize from their respective records the value of sold and slaughtered animals upon securing the necessary documents;</p> <p>c) Property and Supply Office of the PCC at VSU to:</p> <p>(i) Conduct an inventory together with In-charge of the loan and dispersal programs to come up with an accurate inventory report; and</p> <p>(ii) Derecognize dead and culled buffaloes in the Report on the Physical Count of Biological Assets; and</p>	<p>Not Implemented</p> <p>Not Implemented</p> <p>Ongoing submission of PTRs.</p> <p>Not Implemented</p> <p>Valuation policy is not being applied consistently in the PCC at CLSU.</p> <p>Not Implemented</p> <p>To be updated in the records of PCC at CLSU and CMU.</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d) Advise the Property Unit/Farm Supervisors of PCC NHGP, CMU and UPLB to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA)</p>	<p>Not Implemented</p> <p>QRBA and BAPC is not yet submitted by the PCC at NHGP and USF.</p> <p>Reiterated in Audit Observation No. 1 of this CAAR. This observation was initially included in the CAAR for CY 2020.</p>
<p>CY 2022 CAAR, Observation No. 3, page 47</p>	<p>Deficiencies were noted on the accounting and management of Property, Plant and Equipment (PPE) accounts of the PCC Regional Centers at NHGP, CMU, MLPC, UPLB, VSU and WVSU with carrying amount totaling ₱724,458,830.03 as of December 31, 2022; viz: (a) unreconciled variance of ₱13,970,621.18 between the General Ledger (GL) controlling account balance and the Report on the Physical Count of PPE (RPCPPE); (b) unaccounted PPE items totaling ₱5,199,865.46; (c) errors in providing depreciation totaling ₱811,983.96; (d) non-reclassification of semi-expendable properties totaling</p>	<p>We recommended the Executive Director to undertake the following courses of action:</p> <p>a) Advise the:</p> <p>(i) Property Section of PCC-NHGP to validate the status or whereabouts of non-existing/missing PPEs of the Center; and</p> <p>(ii) Accounting and Property Unit of the PCC at NHGP and CMU to conduct regular reconciliation of the balances of PPE per GL controlling accounts with their respective physical inventory records;</p> <p>b) Require the Accounting Unit of PCC at MLPC to:</p> <p>(i) Revisit the Schedule of PPEs to ensure the accuracy of recognized costs and</p>	<p>Not Implemented</p> <p>18 items of PPE remain unaccounted in PCC-NHGP.</p> <p>Not Implemented</p> <p>To be updated in the PCC at CMU.</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>₱572,935; (e) non-disposal of unserviceable properties valued at ₱3,144,981.24; and (f) absence of Property Stickers or non-adoption of uniform property identification system, which is not in accordance with Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and COA Circular No. 2020-006 dated January 31, 2020.</p>	<p>depreciation for each PPE item; and</p> <p>(ii) Draw the necessary adjusting entries in the books of accounts;</p> <p>c) Require the Accounting Unit of PCC at LCSF to prepare the necessary adjusting entries to reclassify semi-expendable property amounting to ₱572,935.00 acquired prior to CY 2022 and previously recorded as PPE;</p> <p>d) Instruct the Property Unit and Disposal Committee of the PCC at NHGP, UPLB and WVSU to:</p> <p>(i) Expedite the request for the timely disposal of unserviceable PPE items to prevent further loss and deterioration of the same; and</p> <p>(ii) Prepare the Inventory and Inspection report of Unserviceable Property (IIRUP) for the said unserviceable properties carried in the PPE accounts and submit the same together with necessary supporting documents for review and verification of the Audit Team; and</p> <p>e) Advise the Property Section of PCC</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>Ongoing disposal of unserviceable PPE items.</p> <p>Not Implemented</p> <p>The IIRUP, IIRUSP and its supporting documents are yet to be submitted by PCC at NHGP and UPLB.</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		at NHGP and VSU to attach Property Stickers of update the Inventory Tag of Property Numbers based on the prescribed format under Section 5 of COA Circular No. 2020-006 dated January 31, 2020.	Reiterated in Audit Observation No. 3 of this CAAR. This observation was initially included in the CAAR for CY 2020.
CY 2022 CAAR, Observation No. 4, page 54	Deficiencies in inventory management were observed during the review of control records and validation of the Report on the Physical Count of Inventories (RPCI) of the PCC Regional Centers at VSU, MMSU, UPLB and CMU as of December 31, 2022; viz: (a) unreconciled variance of ₱4,522,859.67 noted between the Accounting records and the RPCI; (b) non-observance of the Perpetual Inventory Method in the recognition of some inventories totaling ₱144,669.56; (c) unsupported issuance of semi-expendable items totaling ₱3,875,998.00; and (d) non-submission of the Report on the Physical Count of Inventories (RPCI), inconsistent with the related provisions under the Government Accounting Manual (GAM) for National Government Agencies	<p>We recommended the Executive Director to direct the Center Directors concerned to undertake the following courses of action:</p> <p>a) Direct the Accounting and Property Units of the PCC at VSU to:</p> <p>(i) Reconcile the balances of their respective records on a periodic basis;</p> <p>(ii) Accounting Unit to take up the necessary adjustments in the books as noted from the reconciliation performed; and</p> <p>b) Advise the Accounting Unit of PCC at CMU and MMSU to:</p> <p>(i) See to it that purchases and issuances of inventories shall be accounted under the Perpetual Inventory Method; and</p> <p>(ii) Prepare the appropriate adjusting entries to reflect the unrecognized</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>Perpetual Inventory System not yet adopted in PCC at MMSU.</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	(NGAs), Volumes I and II and the cardinal principles of internal control.	<p>purchased/issued inventories; and</p> <p>c) Require the Property Officer of the PCC at UPLB to prepare the Report of Semi-Expendable Property Issued (RSPI) based on the Inventory Custodian Slips (ICSS) issued in CY 2022 to end-users amounting to ₱3,875,998.00, copy furnished the Bookkeeper to support the JEVs for semi-expendable properties issued, and submit the same to the Audit Team for verification; and</p> <p>d) Instruct the Property Unit and Inventory Committee of the PCC at CMU to:</p> <p>(i) Prepare and maintain inventory control records in accordance with the GAM for NGAs; and</p> <p>(ii) Conduct physical count of inventories semi-annually and submit the RPCI to the COA Office for reference and verification.</p>	<p>Not Implemented</p> <p>The Property Officer only prepared the Updated Summary of ICS issued to end-users in CY 2022.</p> <p>Not Implemented</p> <p>RSMI was not prepared and submitted on time.</p> <p>Not Implemented</p> <p>RPCI not yet submitted.</p> <p>Reiterated in Audit Observation No. 4 of this CAAR. This observation was initially included in the CAAR for CY 2019.</p>
CY 2022 CAAR, Observation	The reported balances of the Cash and Cash Equivalent accounts	We recommended the Executive Director to	

Reference	Observations	Recommendations	Status of Implementation
No. 5, page 59	<p>of the PCC at MMSU, UPLB, VSU and WVSU were not fairly presented in the year-end financial statements due to (a) accumulation of unrecognized reconciling items in the Bank Reconciliation Statements (BRS) totaling ₱905,476.36; (b) unadjusted stale checks totaling ₱140,064.53 (c) erroneous recording of unremitted collections totaling ₱429,838.54; and (d) non-preparation of Bank Reconciliation Statements (BRS), inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.</p>	<p>instruct the Center Director of:</p> <p>a) The PCC at VSU and WVSU to direct the Bookkeeper/Accountant to:</p> <p>(i) Record/adjust immediately the reconciling items found valid to ensure correctness of the Cash in Bank- LCCA;</p> <p>(ii) Investigate the unsupported/undocumented reconciling items to determine their validity so that the necessary adjustments/ corrections could be made; and</p> <p>(iii) Henceforth, resolve the reconciling items and immediately draw the necessary adjusting entries to correct the Cash in Bank balances;</p> <p>b) The PCC at MMSU to advise the Bookkeeper to:</p> <p>(i) Draw necessary adjusting entries to take up the cancellation of the subject stale checks totaling ₱140,064.53 in order to restore such to the Cash and cash equivalents; and</p> <p>(ii) Inform the payee(s) to encash their checks one month prior to checks becoming stale;</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>Stale checks not adjusted as at year-end.</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>c) The PCC at UPLB to advise the Bookkeeper/Accountant to take up the necessary journal entry to record the Due to Central Office for ₱429,838.54, and adjust Miscellaneous Income and Accumulated Surplus/(Deficit) by ₱215,832.50 and ₱214,006.04; and</p> <p>d) The PCC at VSU to require the Accountant/Bookkeeper to:</p> <p>(i) Secure the Bank Snapshot for the month of August 2022 from the Land Bank of the Philippines and</p> <p>(ii) Prepare and submit to the COA Office the Bank Reconciliation Statement for the months of August to December 2022.</p>	<p>Fully Implemented</p> <p>Not Implemented</p> <p>Not Implemented</p> <p>BRS not yet submitted.</p> <p>Reiterated in Audit Observation No. 8 of this CAAR. This observation was initially included in the CAAR for CY 2021.</p>
<p>CY 2022 CAAR, Observation No. 6, page 65</p>	<p>Capitalizable expenditure for Computer Software - Human Resource Information System of the PCC-NHGP totaling ₱447,500.00 was expensed resulting to the understatement of Intangible Assets and</p>	<p>We recommended the Executive Director to instruct the Accounting Unit of PCC-NHGP to:</p> <p>a) Recognize financial transactions based on its substance rather than its form; and</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>overstatement of Maintenance and Other Operating Expenses (MOOE) accounts by the same amount as at December 31, 2022, inconsistent with Sections 4 and 5, Chapter 12 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.</p>	<p>b) Draw the following adjusting entry; viz:</p> <p>Debit – Computer Software Credit – Accumulated Surplus(Deficit)</p>	<p>Not Implemented</p> <p>Some computer software and websites were not yet recognized in the books as of CY 2023.</p> <p>Reiterated in Audit Observation No. 2 of this CAAR. This observation was initially included in the CAAR for CY 2022.</p>
<p>CY 2022 CAAR, Observation No. 7, page 66</p>	<p>The amount of ₱1,405,508.66 for the implementation of the Intensified Community-Based Dairy Enterprise Development of the PCC at MLPC was obligated without existence of a valid claim, contrary to Section 11, Chapter 3, of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and the National Budget Circular (NBC) No. 587 dated January 3, 2022.</p>	<p>We recommended the OIC-Executive Director to instruct the Center Director of the PCC at MLPC to direct the Budget Officer to:</p> <p>a) Make the necessary adjustment for the recorded obligations without valid claimant and/or not supported with documents; and</p> <p>b) Revert to the unappropriated surplus of the general fund any unexpended balance of appropriations.</p>	<p>Fully Implemented</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 6 of this CAAR. This observation was initially included in the CAAR for CY 2022.</p>
<p>CY 2022 CAAR, Observation No. 8, page 68</p>	<p>Disbursement Vouchers of inventory items procured under alternative modes of procurement amounting ₱1,084,041.00 were not supported with</p>	<p>We recommended the Executive Director and Center Director of PCC at VSU to:</p> <p>a) Ensure that all transactions are supported with the</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	complete documentation in compliance with COA Circular No. 2012-001 dated June 14, 2012, thus casting doubt on the validity and propriety of their transactions.	<p>necessary supporting documents in accordance with COA Circular No. 2012-001; and</p> <p>b) Secure from the VSU BAC the abovementioned lacking documents and thereafter submit such to COA Office for review.</p>	Fully Implemented
CY 2022 CAAR, Observation No. 9, page 70	The computation of allowances and honoraria paid to various Science and Technology (S&T) personnel of the PCC at LCSF and Don Mariano Marcos Memorial State University (DMMMSU) for the CYs 2021 to 2022 was not in accordance with certain relevant provisions of the Department of Budget and Management (DBM)-Department of Science and Technology (DOST) Joint Circular (JC) No. 1 dated June 25, 2013 and DBM Circular No. 2007-2 dated October 1, 2007, thus, affecting the validity of said payments	<p>We recommended the Executive Director and Center Directors concerned to instruct the Accounting Unit of:</p> <p>a) PCC at LCSF to:</p> <p>(i) Request and follow-up with the PCC-NHGP the basis for their computation of hazard allowance so that this can be evaluated by the Audit Team if in accordance with DBM-DOST Joint Circular (JC) No. 1 s. 2013, otherwise the excess payment of the total amount of ₱206,922.65 shall be disallowed in audit; and</p> <p>(ii) Strictly follow the instructions under DBM-DOST JC No. 1 dated June 25, 2013 in the preparation of the payroll for Hazard Allowance; and</p> <p>b) PCC at DMMMSU to:</p> <p>(i) Strictly comply with the guidelines on the payment of honoraria as</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>prescribed under DBM Circular No. 2007-2;</p> <p>(ii) Recompute the allowed honorarium of each qualified personnel based on the estimated man-hours using the given computation under Sec. 4.4 of DBM Circular No. 2007-2; and</p> <p>(iii) Cause the immediate refund of honoraria paid to the PCC personnel.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>
<p>CY 2022 CAAR, Observation No. 10, page 75</p>	<p>Procurement of items for the carabao health maintenance and supplemental feeds program totaling ₱639,450.00 were split into several requisitions contrary to Section 54.1 of the Implementing Rules and Regulations of Republic Act No. 9184 hence, opportunities for better and more advantageous offers for government procurement contracts were not maximized.</p>	<p>We recommended the Executive Director to instruct the Center Director of PCC at LCSF to:</p> <p>a) Direct the Requisitioning Units/End-Users to properly plan the timing and extent of their procurement needs so that all requests for items that are similar, having the same purpose and needed at the same time can be consolidated; and</p> <p>b) Avoid the splitting of requisitions in compliance with RA 9184 and its IRR to ensure that procurement is effected in a manner that is most advantageous to the government.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>
<p>CY 2022 CAAR, Observation No. 11, page 77</p>	<p>The CY 2022 GAD Plan and Budget (GPB) of PCC totaling ₱59,997,000.00 or 8.15% of the CY 2022 agency's total budget</p>	<p>We recommended the Executive Director to instruct the GAD Focal Point System (GFPS) members to:</p>	

Reference	Observations	Recommendations	Status of Implementation
	<p>appropriation of ₱736,433,000.00 was submitted but not endorsed by the Philippine Commission on Women (PCW) owing to the failure of the GAD Focal Point System (GFPS) to timely review and submit the revised GPB as required by the PCW, inconsistent with pertinent provisions of the PCW-NEDA-DBM Joint Circular No. 2012-01. Nevertheless, the use of gender mainstreaming tools such as the Harmonized Gender and Development Guidelines (HGDG) checklist was not yet implemented inasmuch as the GAD Focal Point System (GFPS) members are still on the familiarization phase of the tool, thus, responsiveness to gender issues and concerns with the implementation of GAD-related programs, activities and projects (PAPs) was not fully ascertained.</p>	<p>a) Enjoin vigilance in the conduct of timely review and submission of revised GAD Plan and Budget (GPB) as requested by the PCW;</p> <p>b) Ensure compliance with the conditions set forth under Section 8.6 of the PCW-NEDA-DBM Joint Circular No. 2012-01 for the endorsement of GPB in the ensuing year(s);</p> <p>c) Monitor implementation of the GAD programs, activities and projects in accordance with the PCW-endorsed or revised GPB;</p> <p>d) Enhance their level of training on the use of the Harmonized Gender and Development Guidelines (HGDG) tool; and</p> <p>e) Assess other major GAD-related PAPs of the Agency using the HGDG tool in obtaining more comprehensive inputs or bases for GAD planning and reporting.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>Management will identify permanent employees who will undergo the required trainings.</p> <p>Reiterated in Audit Observation No. 11 of this CAAR. This observation was initially included in the CAAR for CY 2021.</p>
CY 2022 CAAR,	The completed project under the Carabao-	We recommended the Executive Director to	

Reference	Observations	Recommendations	Status of Implementation
<p>Observation No. 12, page 81</p>	<p>based Business Improvement Network (CBIN), "Construction of Proposed Dairy Processing Plant Outlet Phases 1 and 2" of PCC at DMMMSU, with an aggregate contract cost of ₱2,259,765.33, has several deficiencies; viz: (a) non-formulation of Memorandum of Agreement between the PCC and the cooperative for the operation and management of the processing plant outlet; (b) inadequate detailed engineering and inspection; and (c) uncorrected defects by the contractor resulting to the underutilization of the Product Outlet, all of which were inconsistent with pertinent provisions of the Revised IRR of R.A. No. 9184.</p>	<p>instruct the PCC at DMMMSU Center Director to undertake the following courses of action:</p> <p>a) Secure first the approved modification/reprogramming of funds before incurring obligation or entering into a contract especially if it is under Capital Outlay allotment;</p> <p>b) Immediately submit the MOA or Contract of Lease between the PCC at DMMMSU and the concerned cooperative;</p> <p>c) Henceforth, a memorandum of agreement (MOA) should first be executed prior to implementation of a program or project;</p> <p>d) Strictly undertake detailed engineering prior to preparation of POW in compliance with Section 17.6 of the 2016 Revised IRR of RA No. 9184;</p> <p>e) Instruct the BAC Secretariat to ensure that the prospective bidder has inspected the site upon bid submission in compliance with Instructions to Bidders in the Philippine Bidding Documents for</p>	<p>Fully Implemented</p> <p>Not Implemented</p> <p>Management has yet to provide the tripartite MOA with the Provincial Government of La Union (PGLU) and Cooperative.</p> <p>Not Implemented</p> <p>Management has yet to provide the supplemental MOA.</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>Infrastructure Projects; and</p> <p>f) Submit the Certificate of Inspection signed by PCC-NHGP and DMMMSU engineers.</p>	Fully Implemented
<p>CY 2022 CAAR, Observation No. 13, page 86</p>	<p>The School-Based Milk Feeding Program (SBMFP) funded by the Department of Education (DepEd) – Schools Division Office (SDO) and implemented by the PCC at DMMMSU disclosed deficiencies; viz: (a) inadequate deliveries of milk vis-à-vis agreed schedules; and (b) insufficient supply of milk based on milk feeding days, thereby affecting the attainment of optimum benefits which could be derived by the beneficiaries.</p>	<p>We recommended the PCC at DMMMSU Center Director to undertake the following courses of action:</p> <p>a) Strictly adhere with the Operational Guidelines provided under DepEd Order No. 31, s. 2021 especially on the required supply and delivery of pasteurized milk packed in a 200ml pouch;</p> <p>b) Ensure that the deliveries are sufficient to cover the required number of milk for the daily nutritional needs of the intended beneficiaries; and</p> <p>c) Ensure that the Contract of Agreement executed with the Cooperative/s is consistent with the provisions under DO No. 31, s. 2021, supplemented by DO no. 10, s. 2022.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>
<p>CY 2022 CAAR, Observation No. 14, page 90</p>	<p>Control weaknesses were noted on the implementation of the Calf Sharing Scheme under the Center's</p>	<p>We recommended the Executive Director to instruct the:</p>	

Reference	Observations	Recommendations	Status of Implementation
	<p>Dairy Buffalo Dispersal Program during calendar years (CYs) 2018 to 2022 due to inadequate assessment and valuation of the calves sold to farmers; and other concerns noted during field validation, all of which were inconsistent with relevant provisions of Chapter 11 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs) Volume I, PCC Program Management Committee (PMC) Resolution No. 01 series 2018, and the Dispersal Contract.</p>	<p>a) NIZ Coordinator to conduct regular and timely visits, monitoring, and updating of the information in the Program database through:</p> <p>(i) Enhancement of the Ear Tagging System to easily identify the ownership status of the calves and avoid duplication or skipping of series numbers; and</p> <p>(ii) Ensuring that all information on the Individual Animal Records (IARs) maintained by the farmers/associations are made up-to-date for cross-referencing; and</p> <p>b) Appraisal and Disposal Committee to perform its independent functions on the objective assessment and valuation of animals through preparation of Approved Agency Estimate (AAE) or coordination with farmers who opted to submit formal offer to sell prior to date of sale/culling of animals.</p>	<p>Fully Implemented</p> <p>Some animals validated have no ear tag/s.</p> <p>Fully Implemented</p> <p>Some farmers were not provided with IAR and most IARs were not updated.</p> <p>Not Implemented</p> <p>Some animals that were validated have not yet been assessed despite reaching 12 mos. The NIZ conducts the assessment and valuation. Sale of animals does not adhere to the recommendation of the Committee.</p>
<p>CY 2022 CAAR, Observation No. 15, page 92</p>	<p>The PCC has consistently complied with the withholding and remittance of taxes from its employees, contractors/suppliers, and other third parties for CY 2022 in</p>	<p>We recommended Management to ensure continuous compliance with the provisions of the BIR regulations governing the proper withholding of taxes and the timely remittances thereof.</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	compliance with the National Internal Revenue Code (NIRC) of the Philippines.		
CY 2022 CAAR, Observation No. 16, page 93	The PCC has substantially complied with Section 14 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 8291, otherwise known as the Government Service Insurance System (GSIS) Act of 1997, in the proper withholding and remittance of premiums/contributions, including government share and loan repayments due to the GSIS in CY 2022.	We recommended Management to instruct the Accounting Unit to continue complying with the GSIS regulations on the withholding and remittance of employees' and government shares to the GSIS to assure all its members of the social security benefits due them.	Fully Implemented
CY 2022 CAAR, Observation No. 17, page 94	The PCC was substantially compliant with Republic Act (R.A) No. 9679 otherwise known as the Pag-IBIG Fund Law, in the remittance to the Home Development Mutual Fund (HDMF) of the withheld premiums/contributions from compensation of agency personnel.	We recommended Management to instruct the Accounting Unit to continue complying with the Pag-IBIG Fund Law on the withholding and remittance of employees' and government share to the HDMF to assure all its members of the benefits due them.	Fully Implemented
CY 2022 CAAR, Observation No. 18, page 95	Deductions for monthly premium contributions of the officers and employees were substantially remitted by the PCC to the	We recommended the Executive Director to instruct the Accounting Unit to continue complying with the Revised Implementing Rules and Regulations	Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
	<p>PhilHealth in compliance with the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 10606 or the National Health Insurance Act of 2013.</p>	<p>(RIRR) of Republic Act (R.A.) No. 10606 or the National Health Insurance Act of 2013 on the withholding and remittance of employees' and government share to the monthly premium contributions to PhilHealth to assure all its members of the health insurance benefits due them.</p>	
<p>CY 2022 CAAR, Observation No. 19, page 96</p>	<p>The PCC-NHGP and seven Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2022. However, the Regional Center at CMU, LCSF and MLPC had outstanding suspensions totaling ₱33,334,806.95 and audit disallowances of ₱220,496.65 as reflected in the submitted Management Letters (MLs).</p>	<p>We recommended the Executive Director to instruct the Center Directors concerned to undertake the following courses of action:</p> <p>a) Enforce the immediate settlement of the audit suspensions to avoid the same from maturing into disallowances; and</p> <p>b) Require persons liable to settle the audit disallowances in the manner prescribed under the RRSA.</p>	<p>Not Implemented</p> <p>Unsettled NSs in PCC at CMU and MLPC.</p> <p>Fully Implemented</p> <p>Settlements were made during CY 2023.</p> <p>Reiterated in Audit Observation No. 15 of this CAAR. This observation was initially included in the CAAR for CY 2021.</p>