



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Sugar Regulatory Administration
North Avenue, Quezon City

We have audited the accompanying financial statements of the **Sugar Regulatory Administration (SRA)**, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

We rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The accuracy of nine asset accounts with total year-end balance of P17.755 million could not be ascertained at any given period since Subsidiary Ledgers are not completely maintained for these accounts, contrary to Section 12 of the Manual on the New Government Accounting System, Volume II; and
2. The probability of being able to recover from the nine receivables accounts which have been dormant from 22 to more than 30 years with total year-end balance of P65.201 million is very uncertain due to absence of sufficient records/documents and/or the debtors no longer exist or could no longer be located, to the detriment of the government.

Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **SRA** as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

Annie L. Recabo

ANNIE L. RECABO

State Auditor IV

OIC-Supervising Auditor

Audit Group C

Cluster 5-Agricultural and Natural Resources

Corporate Government Sector

July 24, 2015

