



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, 2015, 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, 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 the 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Bases for Qualified Opinion

The balance of Other Payables account of P8.407 million was overstated by P5.520 million while the Retained Earnings and Income accounts were understated by P4.106 million and P1.414 million, respectively, due to the collections of Bioethanol Research, Development and Extension liens for the calendar years 2012 to 2015 amounting to P5.520 million were treated as trust fund instead of income and recorded under Other Current Liability–Due to Bioethanol Lien Fund account which is inconsistent with Section 45, Chapter 5, Book VI of Executive Order No. 292.

The accuracy and reliability of the balance of Property, Plant and Equipment (PPE) account amounting to P429.731 million could not be ascertained due to discrepancy in the amount of P20.271 million between the balance of PPE of the SRA Visayas per books and the Report on the Physical Count of PPE. We were unable to obtain sufficient appropriate audit evidence about the balance of PPE due to absence of PPE ledger cards and reconciliation report. Consequently, we were unable to determine whether any adjustment to the account was necessary.

Qualified Opinion

In our opinion, except for the effect and the possible effect of the matters discussed in the Bases for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of **SRA** as at December 31, 2015, 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

May 26, 2016

**SUGAR REGULATORY ADMINISTRATION
STATEMENT OF FINANCIAL POSITION**

December 31, 2015
(In Philippine Peso)

	Note	2015	2014 (As restated)
ASSETS			
Current assets			
Cash	3	285,906,186	253,173,620
Short-term investments	4	32,158,431	31,746,831
Receivables - net	5	20,325,479	16,345,699
Prepaid expenses	6	4,298,543	4,114,259
		342,688,639	305,380,409
Property, plant and equipment - net	7	167,403,161	149,191,309
Other assets		583,706	557,119
		167,986,867	149,748,428
TOTAL ASSETS		510,675,506	455,128,837
LIABILITIES AND EQUITY			
Current liabilities			
Payables		9,470,394	9,060,707
Due to officers and employees		7,260,018	7,036,761
Due to government agencies	8	15,454,924	20,623,654
Due to National Sugar Trading Corporation (NASUTRA) creditors	9	16,549,224	16,549,224
Due to Liberty Aviation Corporation	10	4,527,586	4,527,586
Other current liabilities	11	33,253,359	16,575,910
		86,515,505	74,373,842
Equity	14,15	424,160,001	380,754,995
TOTAL LIABILITIES AND EQUITY		510,675,506	455,128,837

The Notes on pages 11 to 19 form part of these Financial Statements.

**SUGAR REGULATORY ADMINISTRATION
STATEMENT OF COMPREHENSIVE INCOME**

For the Year Ended December 31, 2015
(In Philippine Peso)

	Note	2015	2014 (As restated)
INCOME			
Monitoring fees		205,585,980	201,647,841
Clearance and certification fees		122,226,814	46,129,676
Permit fees		45,507,898	49,106,753
Rent income		36,078,980	35,979,497
Stabilization fees		34,758,821	39,314,063
Sale of sugar product		10,870,871	6,793,726
Regular and swapping fees		6,136,901	13,282,308
Registration fees		5,755,118	5,863,355
Special milling fee		3,476,525	3,932,185
Fines and penalties		2,430,972	1,960,952
Others		6,075,870	6,109,215
		478,904,750	410,119,571
EXPENSES			
	12,13		
Personal services		236,049,225	231,388,618
Professional services		35,999,936	28,641,850
Taxes, insurance premiums and other fees		31,707,616	21,736,237
Local travel		18,143,392	13,574,516
Depreciation		16,928,574	18,372,610
Supplies		12,639,985	10,729,906
Utilities		11,983,183	12,672,572
Repairs and maintenance		9,363,569	15,936,960
Communication		5,272,542	3,435,503
Transportation and delivery		1,003,042	1,121,751
Other maintenance and other operating expenses (MOOE)		41,028,674	29,964,878
		420,119,738	387,575,401
INCOME FROM OPERATION		58,785,012	22,544,170
OTHER INCOME			
Gain on sale of property		9,508,239	1,968,094
Interest income		2,471,345	2,247,176
		11,979,584	4,215,270
NET INCOME AFTER TAX		70,764,596	26,759,440

The Notes on pages 11 to 19 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(In Philippine Peso)

	Note	2015	2014 (As restated)
GOVERNMENT CONTRIBUTION			
	14		
Balance at beginning of year		73,328,924	64,071,972
Donation of equipment		170,561	9,256,952
		<u>73,499,485</u>	<u>73,328,924</u>
RETAINED EARNINGS			
Balance at beginning of year	15	307,426,071	312,031,407
Net income after taxes		70,764,596	26,759,440
Dividends remitted/paid to national government during the year		(27,530,151)	(31,364,776)
		<u>350,660,516</u>	<u>307,426,071</u>
EQUITY		<u>424,160,001</u>	<u>380,754,995</u>

The Notes on pages 11 to 19 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(In Philippine Peso)

	Note	2015	2014 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees and penalties received		425,879,029	361,237,133
Rent received		36,078,980	35,979,497
Refund of light, water, telephone, etc.		11,793,645	14,598,366
Proceeds from sale of sugar products		10,870,871	6,793,726
Receipts held in trust		3,159,726	2,293,731
Fund received from DOST for molecular techniques project		1,624,301	1,298,837
Fund received from DOST-PCAARRD for the design and development		552,819	-
Miscellaneous receipts		6,075,870	6,109,215
Return/refund of provident fund-NG share		-	6,101,288
Payments to or on behalf of employees		(219,111,315)	(213,997,981)
Payments to or on behalf of suppliers and other claims		(144,946,662)	(140,162,734)
Payment/remittances of taxes due to BIR		(43,549,677)	(59,795,100)
Dividends paid to NG (BTr)		(27,530,151)	(31,364,776)
Disbursements/cash entrusted to UPSCRFI and MDDC for projects - Sweeteners' YESS and HYV project		(6,415,095)	(2,324,526)
Refund to DAR of the unexpended balance of fund received for the Phase I of Block Farming Project		(2,916,842)	-
Disbursements/cash entrusted- NGOs paid from trust funds (NG)		(1,325,221)	(4,180,574)
Refund to DOE of the unexpended balance of fund for the Bio-fuel Monitoring System Project		-	(3,091,758)
Remittance to SMPF of fees collected - SMASTF		-	(15,800,000)
Refund of performance bond per SO No. 9, series 2012-2013		-	(22,751,991)
Payment of COLA to retired employees		-	(10,500)
Net cash provided by (used in) operating activities		50,240,278	(59,068,147)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property		9,508,239	1,968,094
Interest received		2,471,345	2,247,176
Payments for purchase of equipment		(29,487,296)	(17,909,114)
Net cash used in investing activities		(17,507,712)	(13,693,844)
NET INCREASE (DECREASE) IN CASH		32,732,566	(72,761,991)
CASH AT BEGINNING OF YEAR		253,173,620	325,935,611
CASH AT END OF YEAR	3	285,906,186	253,173,620

The Notes on pages 11 to 19 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF BUDGET AND ACTUAL EXPENSES
For the period January 1 to December 31, 2015
(In Philippine Peso)

	Budget	Actual Expenses	Savings (Deficit)
PERSONAL SERVICES (PS)			
Basic salaries	136,839,840	118,937,525	17,902,315
Allowances and other compensation			
Personnel economic and relief allowance	10,344,000	8,971,780	1,372,220
Representation allowance and transportation allowance (RATA)	3,324,000	3,296,962	27,038
Clothing allowance	2,155,000	1,885,000	270,000
Magna carta - RA 8439/S & T personnel	3,260,000	2,956,578	303,422
Performance-based bonus	14,182,899	13,327,556	855,343
Other bonuses and allowances			
Per diems	384,000	330,000	54,000
Food subsidy	5,172,480	4,892,062	280,418
Social amelioration benefit	22,806,640	19,763,482	3,043,158
Merit/step increment/loyalty/masteral	342,100	190,000	152,100
Cash gift	2,155,000	1,867,875	287,125
Year-end bonus	11,403,320	9,907,365	1,495,955
Retirement benefits	4,611,628	677,898	3,933,730
Terminal leave benefits	7,637,463	5,937,779	1,699,684
	87,778,530	74,004,337	13,774,193
Fixed expenditure			
Life and retirement insurance	16,420,780	14,274,361	2,146,419
Pag-IBIG contributions	517,200	443,600	73,600
PhilHealth contributions	1,374,450	1,362,312	12,138
ECC contributions	517,200	448,800	68,400
	18,829,630	16,529,073	2,300,557
TOTAL PS	243,448,000	209,470,935	33,977,065
MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)			
Professional services			
Legal services	132,000	130,000	2,000
Auditing services	3,282,000	3,206,927	75,073
Consultancy services	484,000	482,616	1,384
General services	15,048,000	15,046,789	1,211
Janitorial services	4,528,000	4,517,960	10,040
Security services	12,506,000	12,504,507	1,493
Other professional services	117,000	111,137	5,863
Taxes, insurance premiums and other fees			
Taxes, duties and licenses	159,000	30,803,450	(30,644,450)
Fidelity bond premiums	216,000	215,158	842
Insurance expense - government buildings	383,000	379,814	3,186
Insurance expense - government motor vehicles	127,000	126,194	806
Insurance expense - SRA Officials	190,000	183,000	7,000
Travelling	18,990,000	18,143,392	846,608

	Budget	Actual Expenses	Savings (Deficit)
Supplies and materials			
Office supplies	3,100,000	2,389,948	710,052
Medical/dental/laboratories supplies	3,500,000	3,192,377	307,623
Gasoline, oil and lubricants	3,600,000	2,828,039	771,961
Agricultural supplies	2,400,000	1,800,013	599,987
Textbook and instructional materials	305,000	34,800	270,200
Other supplies	2,860,000	2,394,808	465,192
Water	2,000,000	1,193,415	806,585
Electricity	11,816,000	10,789,768	1,026,232
Repairs and maintenance			
Office buildings	5,519,000	4,181,982	1,337,018
Other structures	3,478,000	704,718	2,773,282
Office equipment	1,500,000	471,078	1,028,922
Furniture and fixtures	300,000	13,530	286,470
IT equipment	100,000	28,289	71,711
Machineries	582,000	365,199	216,801
Agricultural, fishery and forestry equipment	1,060,000	555,687	504,313
Laboratory equipment	1,600,000	1,089,160	510,840
Government vehicles	1,980,000	1,951,311	28,689
Other property, plant and equipment	800,000	2,615	797,385
Communication expenses			
Postage and delivery	1,550,000	1,508,669	41,331
Telephone - landline	1,480,000	1,460,339	19,661
Telephone - mobile	1,900,000	1,782,864	117,136
Internet	550,000	511,407	38,593
Cable, satellite, telegraph	50,000	9,263	40,737
Transportation and delivery expenses	1,335,000	1,003,042	331,958
Other maintenance and other operating expenses			
Training	5,418,000	5,416,918	1,082
Scholarship expenses	2,586,000	2,581,378	4,622
Membership dues and contributions	570,000	569,611	389
Awards and indemnities	330,000	315,000	15,000
Advertising	72,000	70,537	1,463
Printing and binding	405,000	403,868	1,132
Rent expenses	531,000	529,131	1,869
Representation expenses	498,000	497,506	494
Subscription expenses	269,000	206,688	62,312
Survey expenses	50,000	-	50,000
Extraordinary and miscellaneous expense	132,000	36,772	95,228
Miscellaneous expenses	100,000	-	100,000
OGCC lawyer allowance	190,000	183,000	7,000
Other MOOE	28,469,000	28,464,776	4,224
Gender awareness and development	1,680,000	1,676,276	3,724
Bank charges	100,000	77,213	22,787
TOTAL MOOE	150,927,000	167,141,939	(16,214,939)

	Budget	Actual Expenses	Savings (Deficit)
CAPITAL OUTLAY (CO)			
Structure outlay	19,650,000	2,796,048	16,853,952
Equipment outlay	50,000,000	32,200,403	17,799,597
TOTAL CO	69,650,000	34,996,451	34,653,549
	464,025,000	411,609,325	52,415,675
OTHER PS and INCOME TAX CHARGED AGAINST SAVINGS			
Honoraria-BAC personnel	-	163,000	(163,000)
Overtime pay	-	223,925	(223,925)
Monetization	-	6,978,619	(6,978,619)
Productivity enhancement pay	-	9,885,017	(9,885,017)
Collective negotiation agreement (CNA)	-	9,327,729	(9,327,729)
	-	26,578,290	(26,578,290)
TOTAL	464,025,000	438,187,615	25,837,385

Note: Taxes, duties and licenses includes income tax for CY 2015 amounting to P15,488,763 which shall be remitted in CY 2016.

The Notes on pages 11 to 19 form part of these Financial Statements.