REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

June 28, 2024

PHILIPPINE CROP INSURANCE CORPORATION
RECEIVED
JUN 28 2024
Office of the President

ATTY. JOVY C. BERNABE
President
Philippine Crop Insurance Corporation
7th Floor NIA Building A,
National Irrigation Administration Complex
EDSA, Diliman, Quezon City

Dear President BERNABE:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **Philippine Crop Insurance Corporation (PCIC)**, for the years ended December 31, 2023 and 2022.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Years' Audit Recommendations and the Annex.

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PCIC in view of the faithful representation in the financial statements and the verifiability of the balances as at December 31, 2023 of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P51.681 million, P2.865 billion, and P322.336 million, respectively, were not established, due to missing/unavailable supporting documents, inability to regularly monitor the accounts and to maintain the Subsidiary Ledgers (SLs), and incomplete accounting records over the years, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Paragraphs 2.4, 2.13 and 2.30 of the Conceptual Framework for Financial Reporting (CFFR), 2021 edition. Consequently, the following deficiencies were noted in the keeping of the Receivables and Liabilities accounts:

a. Unreconciled absolute variances between the General Ledger (GL) and SLs of three (3) Receivables and 12 Liabilities accounts in the Head Office (HO) and Regional Offices (ROs) in the amounts of P215.315 million and P44.385 million, respectively;

b. Non-maintenance of SLs to support the GL balances of three (3) Receivables accounts in the total amount of P11.148 million and 15 Liabilities-current accounts in the aggregate amount of P128.269 million and one (1) Trust liability – non-current account in the total amount P1.551 million; and

c. Unaccounted transactions in three (3) Receivables GL accounts amounting to P1.315 million and 24 Liabilities GL accounts amounting to P7.316 million, net of abnormal (negative) balances.

For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1.1. Direct the Acting Finance Manager and the Regional Managers to instruct the Accounting Division in HO and the Administrative and Finance Division (AFD) in ROs to:

   a. Religiously maintain/update complete SLs and schedules to support the balances of the GL controlling accounts and reconcile the schedules with the balances per GLs and SLs; and

   b. Verify/analyze immediately the variances by examining records and source documents as basis for appropriate adjustments, for fair presentation of the Receivables and Liabilities accounts in the financial statements.

1.2. Require the:

   a. Planning and Management Information Office (PMIO) and Accounting Division in the HO to coordinate in further enhancing the module of SL integration in the PCIC Financial Management System (PFMS) to ensure that the financial transactions are accurately recorded in the SLs with required details and balances which shall be reconciled with the corresponding GL accounts every reporting period; and

   b. Finance Department in the HO and AFD in the ROs to:

      b.1. Effect the necessary adjustments in the accounting records to correct the variances in affected GL and SL balances; and

      b.2. Exert utmost effort to account for the balances in the SLs recorded as "Others" in the Receivables and Liabilities accounts amounting to P1.315 million and P7.316 million, respectively, including the SLs on "Receivables-Disallowances/Charges" and "Miscellaneous", by tracing the transactions from available old records to establish the details of unaccounted/unsubstantiated account balances.

The other significant audit observations and the corresponding recommendations that need immediate action follows:

2. The PCIC has not yet reverted the unutilized balance of the Special Revolving Trust Fund (SRTF) to the Bureau of the Treasury (BTr) amounting to P321.676 million, contrary to Section 29(3), Article VI of the Philippine

Constitution and Department of Finance (DOF)-Department of Budget and Management (DBM)-Commission on Audit (COA) Permanent Committee Joint Circular (JC) No. 4-2012, dated September 11, 2012, re: *Rules and Regulations Implementing Executive Order No. 431 dated May 30, 2005, Directing the Reversion of All Dormant Accounts, Unnecessary Special and Trust Funds to the General Fund and for Other Purposes.* The transfer of the SRTF to the National Treasury would augment depleting funds of the National Government, and facilitate the implementation of its programs and projects.

2.1. We reiterated our prior years' audit recommendations that Management require the:

a. Concerned Department to review and evaluate whether the purpose for which the SRTF has been established is already accomplished and if the Fund is no longer needed, and return the remaining cash to the National Government pursuant to Section 29(3) Article VI of the Philippine Constitution and DOF- DBM-COA Permanent Committee JC No. 4-2012;

b. Finance Department to make the necessary reconciliation, consolidation, adjustment and closing of the books of accounts of SRTF when the same is no longer needed; and

c. Coordinate with the BTr on the requirements and procedures of returning the SRTF to the National Government.

3. In CY 2023, the PCIC was able to insure 2,336,752 farmers and fisherfolk, exceeding its target of 2,323,504 farmers and fisherfolk by 13,248 out of the allocated Government Premium Subsidy (GPS) of P4.500 billion for the Registry System for Basic Sectors in Agriculture (RSBSA) Program. However, some of the production outputs were below the respective targets, resulting in overall shortfall by 190,132.33 or 5.35 per cent of the actual number of area/head/policies of 3,361,782.67 *vis-à-vis* the target of 3,551,915 thus, the full attainment of the main objective of the RSBSA Program of providing insurance protection to farmers and fisherfolk against losses arising from natural calamities, plant diseases and pest infestations of their palay and corn crops as well as other crops was somewhat affected during the year, considering the following:

a. Shortfall of 45,757 farmers and fisherfolk between the target of 1,682,726 and the actual number of farmers and fisherfolk insured for Rice, Livestock and Fisheries insurance lines of 1,636,969;

b. Negative variances on the utilization of allocated GPS in total amount of P50.409 million for insurance lines on Rice, High Value Crop (HVC), Livestock and Fisheries between the budget targets of P3,621.212 million vis-à-vis the actual productions of P3,570.803 million; and

c. Shortfalls of 4,771; 33,050; 171,991; 5,438; and 7,025 on area/head/policies on Rice, HVC, Livestock, Fisheries and Non-Crop insurance lines between the production targets of 1,327,372; 255,687;

1,529,246; 8,228; and 16,426 and actual accomplishments of 1,322,601; 222,637; 1,357,255; 2,790; and 9,401, respectively.

3.1. We commended Management for achieving the approved production target in providing free agricultural insurance to 2,336,752 farmers and fisherfolk beneficiaries of the RSBSA Insurance Program in Fiscal Year (FY) 2023, equivalent to 21.44 per cent, surpassing the target set in the General Appropriations Act (GAA) for FY 2023 of 21.03 per cent for FY 2023, and efficiently provided insurance protection to the intended beneficiaries in compliance with the goals and objectives of the PCIC charter.

3.2. On the other hand, we reiterated our prior year's recommendations and Management agreed to direct the Regional Managers to:

a. Instruct the Marketing and Sales Division (MSD) and the underwriters to continuously promote insurance lines with under or low production to ensure attainment of the annual targets and continue its campaign to reach out to more farmers and fisherfolk through the utilization of various media of communication, such as online platforms and radio advertisements and continually coordinate with its counterpart in the Local Government Units (LGUs) for information dissemination; and

b. Ensure that set production targets in terms of the number of farmers and fisherfolk for all insurance lines are met, if not surpassed, to fully attain the objective of the RSBSA Insurance Program of providing free insurance protection to the greatest number of subsistence farmers and fisherfolk.

The observations together with the recommended courses of action which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on May 28, 2024 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented audit recommendations embodied in Part III of the Report.

We respectfully request that the recommendations contained in Part II and Part III of the Report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the Report.

Very truly yours,

COMMISSION ON AUDIT

By:

MAY LINDA M. VEGAFRIA
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Bureau of the Treasury
The Governance Commission for Government-Owned or Controlled Corporations
The National Library
The UP Law Center

(Name of the Agency and Address)

AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 20XX
As of ______________

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

______________________________ ______________
Name and Position of Agency Officer **Date**

Note: Status of Implementation may either be (a) Implemented, or (b) Not Implemented

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

June 28, 2024

THE BOARD OF DIRECTORS
Philippine Crop Insurance Corporation
7th Floor, Building A,
National Irrigation Administration Complex
EDSA, Diliman, Quezon City

Received by:
ARBY MARI G. DELA CRUZ 6/28/24

GENTLEMEN/MESDAMES:

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The observations together with the recommended courses of action which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on May 28, 2024 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented audit recommendations embodied in Part III of the Report.

In our transmittal letter of even date, we request the President of the PCIC to implement the recommendations contained in the Report and to inform this Commission of the actions taken thereon within 60 days from receipt of the Report.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the Report.

Very truly yours,

COMMISSION ON AUDIT

By:

MAY LINDA M. VEGAFRIA
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
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The Secretary of the Department of Budget and Management
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PART I - AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine Crop Insurance Corporation
7th Floor, Building A,
National Irrigation Administration Complex
EDSA, Diliman, Quezon City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Philippine Crop Insurance Corporation (PCIC)**, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for possible effects of the matters discussed in the *Basis for Qualified Opini*on section of our report, the financial statements present fairly, in all material respects, the financial position of the PCIC as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The faithful representation in the financial statements and the verifiability of the balances as at December 31, 2023 of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P51.681 million, P2.865 billion, and P322.336 million, respectively, were not established, due to missing/unavailable supporting documents, inability to regularly monitor the accounts and to maintain the Subsidiary Ledgers (SLs), and incomplete accounting records over the years, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Paragraphs 2.4, 2.13 and 2.30 of the Conceptual Framework for Financial Reporting (CFFR), 2021 edition. Consequently, the following deficiencies were noted in the keeping of the Receivables and Liabilities accounts:

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c. Unaccounted transactions in three (3) Receivables GL accounts amounting to P1.315 million and 24 Liabilities GL accounts amounting to P7.316 million, net of abnormal (negative) balances.

We were unable to obtain sufficient appropriate evidence about the Receivables and Liabilities accounts due to the inadequacy of the accounting records. Consequently, we were not able to determine the possible cumulative effect on the financial statements and whether any adjustments to these accounts are necessary.

Other Matter

In our report dated June 8, 2023, we expressed a qualified opinion on the financial statements as at and for the years ended December 31, 2022 and 2021 due to the understatement of the balance of Cash and cash equivalents account amounting to P100.563 million and corresponding liability accounts by the same amount in view of the non-reversion of the unreleased and stale checks at year end, contrary to Paragraph 15 of the PAS 1 and Paragraphs 2.4 and 2.13 of the CFFR, 2021 edition. In calendar year 2023, the PCIC was able to significantly reduce the amount of unreleased checks not reverted to the Cash in bank account as at December 31, 2023 from P100.563 million to P349,200 and restated the balance of the Cash in bank account as at December 31, 2022. Accordingly, our present opinion on the CY 2022 restated financial statements is no longer modified concerning this matter.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these 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 PCIC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (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.

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 PFRSs, and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PCIC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PCIC or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 PCIC's internal control.

- Evaluate the appropriateness of accounting policies used in 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 PCIC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PCIC 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 communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 39 to financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRSs. Such supplementary information is the responsibility of management of the PCIC.

COMMISSION ON AUDIT

AMARYLLIS BARBARA A. ALMAZAN
State Auditor V
Supervising Auditor
Audit Group F – QUEDANCOR/PCIC
Cluster 5 – Agriculture and Natural Resources
Corporate Government Audit Sector

June 14, 2024

Republic of the Philippines
Department of Finance
PHILIPPINE CROP INSURANCE CORPORATION

BAGONG PILIPINAS

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS**

The Management of the Philippine Crop Insurance Corporation (PCIC) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023, and 2022, in accordance with the prescribed financial reporting frameworks indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due from fraud or error.

In preparing the financial statements, Management is responsible for assessing the PCIC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the PCIC or to cease operations or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the PCIC's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders.

The Commission on Audit, through its authorized representative, has examined the financial statements of the PCIC pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions and the auditor, in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

SEC. RALPH G. RECTO
Chairman of the Board
JUN 06 2024

035383

ATTY. JOVY C. BERNABE
President

ALLAN E. RETAMAR
Acting Vice President-SSG

Signed this 26th day of February 2024

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 As Restated
ASSETS			
Current assets			
Cash and cash equivalents	6	2,961,352,653	6,262,043,424
Investments	7	3,012,432,129	-
Receivables, net	8	39,330,222	158,399,492
Inventories	9	16,946,068	12,822,695
Other current assets	10	8,597,690	5,663,973
Total Current assets		**6,038,658,762**	**6,438,929,584**
Non-current assets			
Investments	11	1,796,478,007	2,379,389,928
Receivables, net	12	12,350,457	12,372,638
Property, plant and equipment, net	13	109,258,776	77,828,890
Intangible assets	14	1,394,580	1,866,931
Other non-current assets	15	2,748,443	1,289,106
Total Non-current assets		**1,922,230,263**	**2,472,747,493**
TOTAL ASSETS		**7,960,889,025**	**8,911,677,077**
LIABILITIES			
Current liabilities			
Financial liabilities	16	44,323,653	20,755,741
Inter-agency payables	17	40,642,322	16,062,137
Trust liabilities	18	2,127,427,919	3,521,011,047
Deferred credits/unearned income	19	29,715,292	33,625,212
Provisions	20	81,198,693	79,508,053
Other payables	21	541,271,805	208,165,212
Total Current liabilities		**2,864,579,684**	**3,879,127,402**
Non-current Liabilities			
Trust liabilities	22	322,335,603	314,148,483
Deferred credits/unearned income	23	-	-
Provision for insurance contract liabilities	24	2,094,899,710	2,739,702,517
Other payables	25	-	-
Total Non-current liabilities		**2,417,235,313**	**3,053,851,000**
TOTAL LIABILITIES		**5,281,814,997**	**6,932,978,402**
EQUITY			
Contributed capital	26	1,500,000,073	1,500,000,073
Stockholders' equity	27	259,451,431	259,451,431
Retained earnings	28	919,622,524	219,247,171
TOTAL EQUITY		**2,679,074,028**	**1,978,698,675**
TOTAL LIABILITIES AND EQUITY		**7,960,889,025**	**8,911,677,077**

The notes on pages 10 to 63 form part of these financial statements.

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 As Restated
Income			
Service and business income	30	1,631,050,317	1,371,848,752
Other non-operating income	31	90,295,839	118,451,017
TOTAL INCOME		**1,721,346,156**	**1,490,299,769**
Expenses			
Direct costs	32	4,511,399,616	5,036,518,819
Personnel services	33	224,199,436	224,609,015
Maintenance and other operating expenses	34	697,756,155	637,799,729
Financial expenses	35	196,803	136,580
Non-cash expenses	36	14,801,042	18,042,296
TOTAL EXPENSES		**5,448,353,052**	**5,917,106,439**
Loss before tax		(3,727,006,896)	(4,426,806,670)
Income tax expense/(benefit)		-	-
Loss after tax		(3,727,006,896)	(4,426,806,670)
Net assistance/subsidy	37	4,500,000,000	4,500,000,000
Net Income		**772,993,104**	**73,193,330**
Other comprehensive income		-	-
COMPREHENSIVE INCOME		**772,993,104**	**73,193,330**

The notes on pages 10 to 63 form part of these financial statements.

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Contributed capital (Note 26)	Share capital (Note 27.1)	Share premium (Note 27.2)	Retained earnings (Note 28)	Total
BALANCE AT JANUARY 1, 2022	**1,500,000,073**	**100,000,000**	**159,451,431**	**652,490,390**	**2,411,941,894**
Adjustments:					
Prior period adjustments	-	-	-	7,343,058	7,343,058
RESTATED BALANCE AT JANUARY 1, 2022	**1,500,000,073**	**100,000,000**	**159,451,431**	**659,833,448**	**2,419,284,952**
CHANGES IN EQUITY FOR 2022					
Add/(Deduct):					
Comprehensive income for the year, as restated	-	-	-	73,193,330	73,193,330
Dividends *(Note 29)*	-	-	-	(513,779,607)	(513,779,607)
RESTATED BALANCE AT DECEMBER 31, 2022	**1,500,000,073**	**100,000,000**	**159,451,431**	**219,247,171**	**1,978,698,675**
CHANGES IN EQUITY FOR 2023					
Add/(Deduct):					
Comprehensive income for the year	-	-	-	772,993,104	772,993,104
Dividends *(Note 29)*	-	-	-	(72,617,751)	(72,617,751)
BALANCE AT DECEMBER 31, 2023	**1,500,000,073**	**100,000,000**	**159,451,431**	**919,622,524**	**2,679,074,028**

The notes on pages 10 to 63 form part of these financial statements.

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of intra-agency fund transfers		6,276,733,350	5,807,997,915
Receipt of assistance/subsidy		4,634,061,333	4,365,938,667
Trust receipts		411,973,195	2,942,736,131
Collection of income/revenue		183,515,201	165,999,967
Receipt of inter-agency fund transfers		26,500,000	-
Collection of receivables		930,562	1,567,780
Other receipts		36,699,577	27,518,067
Adjustments		513,159,558	315,975,835
Total cash inflows		**12,083,572,776**	**13,627,734,362**
Cash outflows			
Release of intra-agency fund transfers		6,289,188,208	5,759,208,399
Payment of underwriting expenses and insurance benefits/claims		4,994,054,401	5,381,484,147
Payment of expenses		1,109,546,505	834,552,858
Remittance of personnel benefit contributions and mandatory deductions		136,445,303	143,278,903
Purchase of inventories		27,619,622	12,019,767
Grant of cash advances		26,239,232	23,636,731
Refund of deposits		1,843,469	331,328
Payments of accounts payable		1,570,326	1,487,133
Prepayments		794,702	876,248
Release of inter-agency fund transfers		198,810	-
Other disbursements		2,130,110	41,943,774
Adjustments		349,237,074	147,295,991
Total cash outflows		**12,938,867,762**	**12,346,115,279**
Net cash provided by/(used in) operating activities		**(855,294,986)**	**1,281,619,083**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from matured investments/redemption of long-term investments		290,292,869	3,551,823,388
Receipt of interest income earned		53,709,985	93,090,041
Proceeds from sale/disposal of property, plant and equipment		47,600	5,350
Adjustments due to cash equivalents erronously classified as investments		6,048	6,318
Total cash inflows		**344,056,502**	**3,644,925,097**
Cash outflows			
Purchase/acquisition of investments		2,699,392,097	1,000,525,951
Purchase/construction of property, plant and equipment		17,434,567	4,552,134
Adjustments due to cash equivalents erronously classified as investments		7,872	7,935
Total cash outflows		**2,716,834,536**	**1,005,086,020**
Net cash provided by/(used in) investing activities		**(2,372,778,034)**	**2,639,839,077**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends to the Bureau of the Treasury		72,617,751	513,779,607
Total cash outflows		**72,617,751**	**513,779,607**
Cash used in financing activities		**(72,617,751)**	**(513,779,607)**
Net increase/(decrease) in cash and cash equivalents		**(3,300,690,771)**	**3,407,678,553**
CASH AND CASH EQUIVALENTS, JANUARY 1		**6,262,043,424**	**2,854,364,871**
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	**2,961,352,653**	**6,262,043,424**

The notes on pages 10 to 63 form part of these financial statements.

PHILIPPINE CROP INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022
(*All amounts in Philippine Peso unless otherwise stated*)

1. GENERAL INFORMATION

The Philippine Crop Insurance Corporation (PCIC or the Corporation) is a Government-Owned and/or Controlled Corporation (GOCC) formerly attached to the Department of Agriculture (DA) per Executive Order (EO) No. 74, s. 2002 dated February 28, 2002, but beginning September 14, 2021, former President Rodrigo Roa Duterte signed EO No. 148, transferring the PCIC from the DA to the Department of Finance (DOF) for "policy and program coordination, and general supervision." The PCIC was created as a social-oriented Corporation under Presidential Decree (PD) No. 1467 on June 11, 1978, "prescribing its powers and activities, providing for its capitalization and for the required Government Premium Subsidy (GPS) and for other purposes". Under Section 16 of PD No. 1467, the PCIC has been granted a comprehensive tax exemption, covering a wide range of taxes and fees. This exemption is essential to PCIC's capacity to fulfill its mission of providing crop insurance, supporting the country's agricultural industry and ensuring the economic stability of its farmers. Subsequently, PD No. 1467 was amended by PD No. 1733 dated October 21, 1980, by adding penal sanctions therein and EO No. 708 dated July 27, 1981. It was further amended by Republic Act (RA) No. 8175 enacted on December 20, 1995, or an Act further amending PD No. 1467, otherwise known as the Charter of the PCIC, in order to make the crop insurance system more stable and more beneficial to the farmers covered thereby and for the national economy.

The address of the PCIC's registered office is at the 7th Floor, Building A, National Irrigation Administration (NIA) Complex, EDSA, Diliman, Quezon City.

The powers of the Corporation shall be vested in and exercised by the Board of Directors (BOD) composed of seven (7) members, as follows:

- The Secretary of the DOF;
- The Secretary of the DA;
- The President of the Land Bank of the Philippines (LBP);
- The President and General Manager of the Government Service Insurance System (GSIS);
- The President of the PCIC;
- A representative from the private insurance industry to be nominated by the Secretary of Finance; and
- A representative from the subsistence farmers' sector preferably representing agrarian reform beneficiaries/cooperatives/associations, shall be selected and nominated by the different farmers' organizations and/or cooperatives.

Its mandate is to provide insurance protection to the country's agricultural producers, particularly the subsistence farmers, against losses of their crops and non-crop agricultural assets arising from natural calamities (such as typhoons, floods, droughts, earthquakes, and volcanic eruptions), plant pest and diseases, and/or other perils.

The PCIC is an agricultural insurer committed to help stabilize the income of agricultural producers and promote the flow of credit in the countryside by:

a. Providing insurance protection to qualified farmers and other agricultural stakeholders against losses of their crops and produce, including their farm machinery and equipment, transport facilities, and related infrastructure arising from natural calamities, pests and diseases, and other perils beyond their effective control; and

b. Extending innovative and client-responsive insurance packages and other services through people's organizations, including farmers' cooperatives, agricultural lenders, and service providers.

The PCIC has 13 Regional Offices (ROs) located nationwide and as of December 31, 2023, it had personnel complement of 185 regular employees; 1,264 under job order (JO) basis; and two (2) consultants, details are as follows:

Office/RO	Regular	JO	Consultant	Total
Head Office (HO)	50	23	2	75
I	10	99	-	109
II	10	166	-	176
III	11	35	-	46
III-A	12	45	-	57
IV	10	100	-	110
V	10	80	-	90
VI	12	93	-	105
VII	10	123	-	133
VIII	11	103	-	114
IX	9	80	-	89
X	9	120	-	129
XI	10	110	-	120
XII	11	87	-	98
	185	**1,264**	**2**	**1,451**

I. Regular Insurance Programs

a. Palay and Corn Crop Insurance

An insurance protection extended to farmers against losses on rice and corn crops due to natural calamities as well as plant pests and diseases.

b. High-Value Crop (HVC) Insurance

An insurance protection extended to farmers against losses on high-value commercial crops due to natural calamities and other perils such as pests and diseases. High-value commercial crops include abaca, ampalaya, asparagus, banana, cabbage, carrot, cassava, coconut, coffee, commercial trees, cotton, garlic, mango, onion, papaya, peanut, pineapple, sugarcane, sweet potato, tobacco, tomato, white potato, and others.

c. Non-Crop Agricultural Asset Insurance

An insurance protection extended to farmers against loss of assets on non-crop agricultural assets like warehouses, rice mills, irrigation facilities, and other farm equipment due to perils, such as, fire and lightning, theft, and earthquake.

d. Livestock Insurance

An insurance protection for livestock raisers against loss of carabao, cattle, swine, goat, and poultry due to accidental death or diseases.

e. Credit and Life Term Insurance (CLTI)

An insurance protection that covers death, dismemberment, or disability of the borrower due to accident or natural causes.

Under the CLTI, the PCIC offers the following:

- Loan Repayment Protection Plan (LRPP) - is an insurance protection that guarantees the payment of the face value or the amount of the approved agricultural loan upon the death or total permanent disability of the insured borrower.

- Agricultural Producers Protection Plan (APPP) - is an insurance protection that covers the death of the insured due to accidents, natural causes, and murder or assault.

- Accident and Dismemberment Security Scheme (ADSS) - is an insurance protection that covers death or dismemberment or disablement of the insured due to an accident.

f. Fisheries Insurance

An insurance protection to fish farmers/fisherfolk/growers against losses in unharvested crops or stock in fisheries farms due to natural calamities and fortuitous events.

II. <u>Registry System for Basic Sectors in Agriculture (RSBSA) Program</u>

The RSBSA Program is a program of the PCIC wherein farmers and fisherfolk included in the RSBSA list are entitled to 100 per cent free insurance from the PCIC. Under the Special Provision of RA No. 11936, the General Appropriations Act (GAA) for Fiscal Year (FY) 2023 dated December 26, 2022, pertaining to a subsidy to the PCIC, the amount of P4.500 billion shall be used for the full insurance premiums of subsistence farmers and fisherfolks to cover crop, livestock, fisheries, and non-crop agricultural assets. The PCIC shall ensure that the beneficiaries identified are registered under the RSBSA.

III. Other Insurance Programs

The programs classified under the non-RSBSA pertain to insurance granted to subsistence farmers and fisherfolks under various programs of the Corporation, such as, PCIC Regular program, DA-Sikat Saka, Production Loan Easy Access (PLEA), Survival and Recovery (SURE) Loan Assistance, Agrarian Production Credit Program (APCP), DA Hybrid Rice Program, Planters Products, Inc. (PPI) and non-RSBSA as approved by the BOD through Board Resolutions (BRs), wherein PCIC assumes 55 to 100 per cent of the insurance premiums.

The financial statements of the Corporation as at and for the year ended December 31, 2023 (including the comparative financial statements as at and for the year ended December 31, 2022) were authorized for issue by the BOD on February 26, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1. Basis of Preparation of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards (PFRSs) and Commission on Audit (COA) Circular No. 2017-004

The accompanying financial statements are prepared in compliance with the PFRSs and Philippine Accounting Standards (PASs) issued by the Philippine Financial Reporting Standards Council (PFRSC) and the COA Circular No. 2017-004. PFRSs are adopted by the PFRSC from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy. COA Circular No. 2017-004 was issued by the COA as guidelines on the preparation of financial statements and other financial reports and implementation of the PFRSs by Government Corporations (GCs) classified as Government Business Enterprises, now Commercial Public Sector Entities (CPSEs).

The financial statements have been prepared using the measurement bases specified by PFRSs for each type of asset, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

b. Presentation of financial statements

The financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Corporation presents all items of income and expenses in a single Statement of Comprehensive Income (SCI).

c. Basis of consolidation

The Corporation has no consolidated financial statements because it has no controlled subsidiaries and entities. Moreover, the Corporation has no debt or equity securities traded in an organized financial market and is not in the process of filing its financial statements with the Securities and Exchange Commission (SEC) or other regulatory organizations for the purpose of issuing any class of instruments in an organized financial market.

The financial statements presented include the combined financial statements and transactions of the HO and its ROs nationwide. All inter-branch transactions and balances have been eliminated and reconciled in the consolidation.

d. Accrual basis of accounting

In accordance with PAS 1, the financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

e. Adoption of the COA Revised Chart of Accounts (RCA)

In compliance with COA Circular No. 2020-002 dated January 28, 2020, the Corporation adopted the RCA in its Trial Balance for the years 2021 and 2020. General Ledger (GL) and Subsidiary Ledger (SL) of all accounts were carefully analyzed and manually mapped to the RCA.

f. Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the Philippine peso, the currency of the primary economic environment in which the Corporation operates (the "functional currency"). All information presented in the Philippine peso was rounded off to the nearest peso, except when otherwise specified.

2.2. Adoption of New and Amended PFRSs and PASs

The Corporation adopted the following new and amended PFRSs and PASs and annual improvements to PFRSs and PASs, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

a. Standards effective in Calendar Year (CY) 2023 that are relevant to the Corporation

Amendments to PAS 1, *Disclosure of Accounting Policies* amends PAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, the PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to PAS 1, it is also permitted to apply the amendments to PFRS Practice Statement 2.

Amendment to PAS 8, *Definition of Accounting Estimates.* The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

These amendments introduce the definition of an accounting estimate and include other amendments to PAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The amendments are effective for an annual period beginning on or after January 1, 2023.

b. ***New and amended Standards and Interpretations issued but not yet effective***

Pronouncements issued but not yet effective or are not mandatory for the annual reporting period ending on December 31, 2023, are listed below. These are classified into two: (1) standards relevant to the Corporation; and (2) standards irrelevant to the Corporation.

Standards relevant to the Corporation

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-Current*

The amendments affect only the presentation of liabilities in the Statement of Financial Position (SFP) not the amount or timing of recognition of any asset, liability, income, or expenses, or the information that entities disclose about those items. The amendments clarify that the classification of liabilities as current or non-current: (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of liability; (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of liability; and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2023, however, their effective date has been delayed to January 1, 2024.

Standards that are not relevant to the Corporation

- Amendment to PFRS 16, *Leases-Lease Liability in a Sale and Leaseback*

PFRS 16 specifies how to recognize, measure, present, and disclose leases. The Standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from PAS 17 and the distinction between operating and finance leases is retained.

The amendment adds to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

- Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

An entity applies the amendments to PAS 7 for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted) and the amendments to PFRS 7 when it applies the amendments to PAS 7.

- Amendments to PAS 21, *Lack of Exchangeability*

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The pronouncement also includes a new appendix with application guidance on exchangeability and a new illustrative example.

The amendments also extend to conforming amendments to PFRS 1 which previously referred to, but did not define, exchangeability.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

An entity does not apply the amendments retrospectively. Instead, an entity recognises any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognises the cumulative amount of translation differences in equity.

2.3. Current versus Non-current Classifications

The Corporation presents assets and liabilities in the SFP based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;

- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Corporation classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognized in the SFP when the Corporation becomes a party to the contractual provisions of the instrument. The Corporation determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation of each financial reporting date.

Initial measurement of financial instruments

Financial instruments are recognized initially at the fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVTPL), the initial measurement of financial instruments includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial instruments

PFRS 9 divides all financial assets that are currently in the scope of PAS 39 into two classifications - those measured at fair value and those measured at amortized cost.

Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss or recognized in other comprehensive income, fair value through other comprehensive income (FVOCI), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For debt instruments, the FVOCI classification is mandatory for certain assets unless the fair value option is elected. While for equity investments, the FVOCI classification is an election.

The classification of a financial asset is made at the time it is initially recognized when the entity becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

Financial Assets

a. Financial assets at FVTPL

   Financial assets at FVTPL include those held for trading and those designated upon initial recognition as at FVTPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Changes in fair value relating to the held for trading positions are recognized in 'Gain from Changes in Fair Value of Financial Instruments'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

As at December 31, 2023, the PCIC has no financial assets at FVTPL.

b. Financial assets at amortized cost

These instruments are financial assets with fixed or determinable payments and fixed maturities. It meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold the financial assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of the principal amount outstanding.

The PCIC has investment securities at an amortized cost amounting to P1.796 billion, non-current portion as at December 31, 2023. *(See Note 11)*

c. Loans and receivables, and inter-agency receivables

Loans and receivables and inter-agency receivables are stated at the outstanding balance reduced by an allowance for credit losses. These are non-derivative financial assets with fixed and determinable payments that are non-quoted in an active market. These are classified as non-current assets except for those reclassified under the current portion. *(See Notes 8 and 12)*

Financial Liabilities

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken, when the amount of change in fair value of financial liability designated as at FVTPL that is attributable to changes in credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. *(See Note 16)*

Impairment of Financial Assets

From January 1, 2021, the Corporation assesses its Expected Credit Losses (ECL) on a forward-looking basis associated with investments carried at amortized cost. Recognition of credit losses is no longer dependent on the Corporation's identification of a credit loss event. Instead, the Corporation considers a broader range of information in assessing credit risk and measuring

ECL, including past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the future cash flows of the financial assets.

The Corporation applies the simplified approach in measuring ECL, which uses expected loss allowance for all trade and other receivables. To calculate the ECL, the Corporation uses its historical experience, external indicators, and forward-looking information to calculate the ECL using a provision condition. The Corporation also assesses the impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the years past due. The Corporation recognized a loss allowance for such losses at each reporting date.

To measure the ECL, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the years past due. The Corporation has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

Derecognition of Financial Assets and Liabilities

Financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

On the derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit and loss.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.5. Cash and Cash Equivalents

Cash and cash equivalents account includes cash on hand, cash in banks and high yield short-term placements. Cash in banks include savings and demand deposit or checking account and cash equivalents include any placements made with maturities equal to or less than 90 days from the date of acquisition and are unrestricted as to withdrawal. Cash equivalents are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value and have short maturities. Cash and cash equivalents are presented at face value. *(See Note 6)*

2.6. Inventories

The Inventories account represents assets in the form of materials or supplies to be consumed in the rendering of services. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The Corporation uses the weighted average method in recording the cost of the inventory. (See *Note 9)*

2.7. Property, Plant and Equipment

The Corporation's depreciable properties are stated at cost less accumulated depreciation. The initial cost of Property, plant and equipment consists of its purchase price, taxes, and any directly attributable costs of bringing the asset to its working condition and intended use as provided in PAS 1 and PAS 16. *(See Note 13)*

Subsequent costs incurred are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

Expenditures incurred after items of Property, plant and equipment have been put into operation, such as repairs and maintenance are charged against operation in the year in which the costs are incurred and recognized in the SCI, while major repairs/renovations are capitalized and depreciated over the remaining useful life of the related asset.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. This is computed at cost less residual value of 10 per cent of acquisition cost over useful life. The estimated useful life of the respective assets are as follows:

Account	Life in Years
Building and other structures	10 - 30 years
Land improvements	10 - 30 years
Information technology and equipment software	5 – 15 years
Transportation equipment	7 - 10 years
Office equipment, furniture, and fixtures	5 - 10 years
Other property, plant and equipment	5 years

When Property, plant and equipment are retired or otherwise disposed of, the cost and the corresponding Accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the SCI.

In addition, pursuant to COA Circular No. 2022-004, tangible assets with an acquisition cost below P50,000 shall be accounted for as semi-expendable property.

Leasehold improvements are amortized over the shorter terms of the covering lease or the estimated useful lives of the improvements.

Leased assets - building – the Corporation leases some of its office spaces for more than one year. The contract price is capitalized and amortized over the duration of the contract.

2.8. Intangible Assets

The Corporation recognizes acquisition, development, and other related costs of computer software as Intangible assets in the SFP pursuant to COA Circular No. 2015-010. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of up to 10 years, as the lives of these intangible assets are considered finite in accordance with PAS 1 and PAS 38. *(See Note 14)*

2.9. Prepaid Expenses

Prepaid expenses are future expenses that have been paid in advance. The amount of Prepaid expenses that have not yet expired are recognized as an asset on the Corporation's SFP and the amount that expired is recognized as an expense in the SCI. *(See Note 10)*

2.10. Claims Liabilities

Claims liabilities refer to claims incurred but not yet paid as at the valuation date. These include claims due and unpaid, claims in the course of settlement, resisted claims, and those which are incurred but not reported at a designated level of confidence, as well as direct and indirect expenses related to settling all outstanding claims, whether reported or unreported, as of valuation date.

Claims liabilities include the following:

a. Due and unpaid claims (Accrued benefits payable) refer to the estimated amounts of reported claims that have not been settled as of the valuation date *(See Note 24.1.a);*

b. Incurred but not reported (IBNR) refers to the amount to be provided for claims in respect of claims events that have occurred but have not been reported to the Corporation as at the valuation date *(See Note 24.1.b)*; and

c. Provisions for claims handling expense refers to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as at the valuation date. *(See Note 24.1.c)*

2.11. Provisions

Terminal leave benefits

This account pertains to the money value of the earned leave credits (vacation and sick leave) of PCIC regular employees. It increases based on the leave credits earned for the year and decreases by the amount of monetized leave credits and payment of terminal leave pay. (See *Note 20)*

Provident fund

This pertains to the provident benefit of regular employees which is the money value of contribution to the fund equivalent to 10 per cent of the basic salaries of regular employees based on the approved Compensation and Position Classification System (CPCS). (See *Note 20)*

2.12. Deferred Credits

Deferred credits are cash received for premiums that are not yet recognized as income due to incomplete underwriting documents. *(See Note 19)*

2.13. Premium Reserve Liabilities

Reserve for unearned premiums

A reserve for unearned premiums is provided to cover premiums underwritten but not yet earned as of reporting date. As prescribed in Insurance Commission (IC) Circular No. 2018-18, the Unearned premium reserves were computed as the proportion of the remaining unexpired coverage period over the period covered by the premium, exact to days.

2.14. Income Recognition

Income is recognized when it is probable that the economic benefits will flow to the Corporation and the income can be reliably measured.

a. Income from insurance operations

Gross premiums are recorded for effective insurance policies underwritten. Premiums include any adjustments arising in the accounting period for Premiums receivable in respect of business written in the prior period. Premium discounts, returns, and cancellations are deducted from Gross premiums.

Premiums are recognized as revenue over the period of insurance contracts using the fixed percentage method for all lines except for palay and corn. For palay and corn, the Corporation uses the Eights (1/8) method. The portion of the premiums written that pertains to the unexpired portion of the policies as at reporting date is accounted for as a Reserve for unearned premiums and presented in the liability section of the SFP under the Deferred credits.

b. Income from Investments

Interests from short-term and long-term investments are recognized as the interest accrues. (See *Notes 7* and *11)*

2.15. Expense Recognition

Expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred.

2.16. Leases

PCIC as a lessee

For any new contracts entered into on or after January 1, 2019, the Corporation has assessed whether a contract contains a lease that conveys the right to use an identified asset for a period of time in exchange for consideration.

The Corporation assessed whether:

- The contract contains an identified asset that the Corporation has the right to use; or
- The Corporation has the right to obtain substantially all the economic benefits from the use of the identified asset throughout the period of use.

At the lease commencement date, the Corporation recognizes a leased asset and a lease liability on the SFP. The leased asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Corporation, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Corporation depreciates the leased assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the leased asset or the end of the lease term.

At the commencement date, the Corporation measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the leased asset, or profit and loss if the leased asset is already reduced to zero.

The Corporation has elected to account for short-term leases and leases of low-value assets using practical expedients. Instead of recognizing a leased asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the SFP, leased assets have been included in Property, plant and equipment and lease liabilities have been included in Accounts payable. *(See Notes 13* and *16).*

2.17. Insurance Benefits

Insurance benefits consist of total insurance benefits paid, unpaid, and/or unprocessed indemnity claims as accrued, plus provision for indemnity fluctuations for the year, if any. The claims recoveries from reinsurance are deducted from the total insurance benefits.

Accrual of unpaid and/or unprocessed claims

Unpaid and/or unprocessed indemnity claims for the year are accrued at year-end, which is based on the ultimate cost of all claims incurred but not yet settled at year-end. The unprocessed indemnity claims consist of Report on Approved Claims (RAC) without Disbursement Vouchers (DVs) but supported by approved Claims Settlement Sheet (CSS); and a listing of approved CSS without any covering RAC, indicating the names of the farmers and fisherfolk, Certificate of Insurance Cover (CIC) number, amount of cover, the area covered, cause of loss, per cent of the damage, the amount claimed and computed indemnity. *(See Note 32)*

2.18. Equity

Share capital represents the nominal value of shares that have been issued.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the SCI less any dividends declared. (*See Note 28)*

2.19. Prior Period Adjustments

Prior period adjustments represent the corrections of errors in the financial statements that were reported for a prior period. The prior period adjustments are accounted by restating the prior period financial statements. This is done by adjusting the carrying amounts of any impacted assets or liabilities as of the first accounting period presented, with an offset to the beginning retained earnings balance in that same accounting period.

2.20. Events After the Reporting Date

Post-year-end events that provide additional information about the Corporation's position at the reporting date (adjusting events) are reflected in the Corporation's financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to financial statements if material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Corporation's financial statements requires Management to make judgments, estimates, and assumptions that affect the amounts reported in the Corporation's financial statements and accompanying notes.

Judgments are made by Management in the development, selection, and disclosure of the Corporation's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on Management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Allowance for Impairment

Allowance for impairment is provided at an amount determined after an evaluation of the estimated collectability of receivable balances considering, among others, the age of accounts. The Corporation's current practice is to provide an allowance of 10 per cent after two years when the account becomes past due, and 100 per cent depending on the years and possible collectability of the account, except for the guaranteed receivables.

b. Property, Plant and Equipment

Property, plant and equipment items are stated at cost less accumulated depreciation. A residual value equivalent to 10 per cent of the acquisition cost is deducted before depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to 30 years. Depreciation is charged to operations on the month following the date of acquisition. (See *Note 13)*

c. Contingencies

The preparation of the financial statements in accordance with previous accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may cause the assumptions and estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The BOD has overall responsibility for the establishment and oversight of the Corporation's Risk Management Framework (RMF). The Board has established the Risk Management and Audit Committee (RMAC) which is responsible for developing and monitoring the Corporation's risk management policies.

The Committee is responsible for the following:

a. Overseeing, monitoring, and evaluating the adequacy and effectiveness of the Corporation's internal control system, engage, and provide oversight of the PCIC's internal and external auditors, and coordinate with the COA.

b. Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational, and other risks of the PCIC, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities.

c. Developing the Risk Management Policy of the PCIC, ensuring compliance with the same guarantee that the risk management process and compliance are embedded throughout the operations of the PCIC, especially at the Board and Management level providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

The RMAC may conduct meetings as may be deemed appropriate by the Committee Chairperson.

Managing insurance risk

The risk under insurance is the possibility of the occurrence of perils and uncertainty of the amount and timing of the resulting indemnity claim. One way to manage this risk is to determine the absorptive capacity of the Corporation, how much risk it can take without going under, and how much of the risk is to be ceded to other insurance companies.

Also, spreading the risk by diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

5. PRIOR PERIOD ADJUSTMENTS

In CY 2023, Management has adjusted the CY 2022 and prior period balances of some accounts due to prior period errors and adjustments, resulted in the net adjustment in the Retained earnings account in the total amount of negative P64.699 million as disclosed under *Note 28*.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2023	2022 As restated
Cash on hand	457,825	281,545
Cash in bank-local currency	2,258,644,670	4,067,797,586
Cash equivalents	702,250,158	2,193,964,293
	2,961,352,653	**6,262,043,424**

The Cash in bank-local currency consists of the following:

	2023	2022 As restated
Current accounts		
PCIC-Agri-Agra Fund	1,129,208,889	2,422,710,303
Claims fund	655,565,121	329,021,617
General and administrative fund	372,882,385	996,095,341
Mother account	24,950,466	29,411,075
Special Revolving Trust Fund (SRTF) account	18,881,457	18,873,801
Investment fund	997,303	32,090,471
PCIC-GAA Fund	30,007	30,004
Philippine Coconut Authority (PCA) – Coconut Farmers and Industry Trust Fund (CFITF)	-	200,000,000
	2,202,515,628	**4,028,232,612**
Savings account		
Savings account – one way savings deposit account (OSDA)	56,129,042	39,564,974
	2,258,644,670	**4,067,797,586**

Cash equivalents consist of the following:

	2023	2022
Time deposit, local currency – PCIC	400,000,000	1,900,000,000
Time deposit, local currency – SRTF	302,250,158	293,964,293
	702,250,158	**2,193,964,293**

Pursuant to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Cash on hand account as at December 31, 2022 was restated and reclassified as follows:

Particulars	Amount
Cash on hand, December 31, 2022	283,385
Less: Prior period adjustment *(Note 28)*	
Overstatement of deposit	1,840
Cash on hand, December 31, 2022, as restated	**281,545**

Pursuant to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Cash in bank – local currency account as at December 31, 2022 was restated and reclassified as follows:

Particulars	Amount
Cash in bank – local currency, December 31, 2022	4,067,594,313
Add: Prior period adjustment *(Note 28)*	
Unrecorded cancelled checks	203,273
Cash in bank – local currency, December 31, 2022, as restated	**4,067,797,586**

Pursuant to the DOF's Circular No. 002-2022 dated May 16, 2022, on the Revised Guidelines on Authorized Depository Banks, wherein PCIC shall maintain separate bank accounts and records for the accounting of unutilized subsidies and transfer funds, including unutilized proceeds/collections from lending programs funded by subsidy or transfers, and their corresponding interest income and under no circumstances that these funds shall be co-mingled with other bank accounts, the BOD approved the opening of the following bank accounts under the name of the PCIC, as follows:

1. PCIC-GAA Fund - for the subsidy releases from the National Government (NG), its receipts and disbursements;

2. PCIC-Agri-Agra Fund - for the transfer funds from the Bangko Sentral ng Pilipinas (BSP) under RA No. 10000, its receipts, and disbursements; and

3. CFITF - Under RA No. 11524 or the CFITF, the PCIC, as one of the implementing agencies of the CFITF, and in accordance with its mandate and functions, leads in the implementation of the CFITF-Crop Insurance Program (CIP), to provide support to the Philippine Coconut Authority in the disposition of the CFITF to its target beneficiaries for the development of the coconut industry in the country, specifically, in the provision of agricultural insurance coverage protection to coconut farms and other farm investments of qualified coconut farmers.

There shall be a direct transfer of funds from the Bureau of the Treasury (BTr) to the implementing agency's Modified Disbursement System (MDS) Trust Account by means of issuance of a Notice of Cash Allocation (NCA). For this purpose, implementing agencies like the PCIC, are required to open an MDS sub-account following the guidelines in the opening of bank accounts for receipts and MDS disbursements of National Government Agencies (NGAs).

7. INVESTMENTS - CURRENT

This account consists of Investment in bonds-local short-term amounting to P3,012,432,129 for CY 2023.

8. RECEIVABLES – CURRENT

This account consists of the following:

	Note	2023	2022 As restated
Loans and receivable	*8.1*	36,753,869	156,322,374
Inter-agency receivables	*8.2*	2,028,045	1,759,537
Other receivables	*8.3*	548,308	317,581
		39,330,222	**158,399,492**

The bulk of the CY 2023 Loans and receivable account is the Interest receivables and contributions and receivables from farmers.

8.1. Loans and receivable account consists of:

	2023	2022 As restated
Interests receivable	21,116,875	12,305,961
Contributions and premiums receivable	15,636,994	144,016,413
	36,753,869	**156,322,374**

Interests receivable includes interest from Investments in bonds and Time deposits.

Pursuant to COA Circular No. 2020-002 dated January 28, 2020 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Interests receivable account as at December 31, 2022 was restated, as follows:

Particulars	Amount
Interests receivable, December 31, 2022	12,488,587
Deduct: Prior period adjustment (*Note 28*)	
Unrecorded final tax	(182,626)
Interests receivable, December 31, 2022, as restated	**12,305,961**

8.1.1. Contributions and premiums receivable from:

	2023	2022 As restated
National government (NG)	-	134,061,333
Farmers	15,667,048	9,985,134
Less: Allowance for impairment	(2,014,010)	(2,014,010)
	13,653,038	7,971,124
Lending Institutions (LIs)	1,983,956	1,983,956
	15,636,994	**144,016,413**

Contributions and premiums receivable-NG represents the amount of unreleased share of government in the total insurance premiums, pursuant to Section 5 of RA No. 8175. This account consists of unreleased balance of GPS for CY 2022 released in CY 2023 amounting to P134,061,333.

The Contributions and premiums receivable from farmers and LIs represent the share of farmers and LIs in the premiums whose names are not included in the RSBSA list.

8.2. Inter-agency receivables

This account consists of the following:

	2023	2022 As restated
Due from NGAs	2,020,556	1,560,351
Due from other government corporations	-	49,597
Due from other funds	7,489	149,589
	2,028,045	**1,759,537**

Due from NGAs account represents payment or deposit to the Department of Budget and Management (DBM) – Procurement Service (PS) for the plane tickets and office supplies of the PCIC.

Pursuant to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* Due from NGAs and Due from other government corporations accounts as at December 31, 2022 were restated as follows:

Particulars	Amount
Due from NGAs, December 31, 2022	1,626,654
Add/(Deduct): Prior year adjustment *(Note 28)*:	
Unrecorded purchases from DBM-PS	(66,303)
Due from NGAs, December 31, 2022, as restated	**1,560,351**

Particulars	Amount
Due from other government corporations, December 31, 2022	-
Add/(Deduct): Prior year adjustment *(Note 28)*:	
Motor vehicles insurance claims from GSIS	49,597
Due from other Government Corporations, December 31, 2022, as restated	**49,597**

8.3. Other receivables-current

This account consists of Due from officers and employees as at December 31, 2023 and 2022 in the amounts of P548,308 and P317,581, respectively.

The Corporation provides an Allowance for impairment of 10 per cent after two (2) years when the account becomes past due. Accounts that are more than 20 years past due or those whose possibility of collection is almost zero are given a 100 per cent Allowance for impairment.

Pursuant to COA Circular No. 2020-002 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* Due from officers and employees and Other receivables-others accounts as at December 31, 2022 were restated as follows:

Particulars	Amount
Due from officers and employees, December 31, 2022	289,797
Add/(Deduct): Prior year adjustment *(Note 28)*	
Set up of receivable from employees representing leave of absence without pay	27,784
Due from officers and employees, December 31, 2022, as restated	**317,581**

Particulars	Amount
Other receivables-others, net, December 31, 2022	(251,909)
Add/(Deduct): Prior year adjustment *(Note 28)*	
Reclassification to Other receivables-others, non-current	251,909
Other receivables-others, December 31, 2022, as restated	**-**

9. INVENTORIES

This account consists of Inventory held for consumption, details as follows:

	2023		2022 (As restated)	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
Office supplies inventory				
Carrying amount, January 1	4,920,650	-	5,938,830	-
Additions/acquisitions during the year	17,292,792	-	14,820,766	-
Expensed during the year except for write-down	(26,653,413)	-	(20,834,051)	-
Other adjustments	8,889,782	-	4,995,105	-
Carrying amount, December 31	**4,449,811**	**-**	**4,920,650**	**-**
Other supplies and materials inventory				
Carrying amount, January 1	5,313,570	-	4,359,878	-
Additions/acquisitions during the year	12,537,999	-	18,129,489	-
Expensed during the year except for write-down	(16,256,640)	-	(14,486,400)	-
Other adjustments	4,747,252	-	(2,689,397)	-
Carrying amount, December 31	**6,342,181**	**-**	**5,313,570**	**-**
Semi-expendable inventory				
Carrying amount, January 1	2,588,475	-	2,441,369	-
Additions/acquisitions during the year	10,891,258	-	5,616,934	-
Expensed during the year except for write-down	(7,416,234)	-	(4,781,677)	-
Other adjustments	90,577	-	(688,151)	-
Carrying amount, December 31	**6,154,076**	**-**	**2,588,475**	**-**
	16,946,068	**-**	**12,822,695**	**-**

Inventory held for consumption consists mainly of consumable materials and supplies.

Semi-expendables are tangible items below the capitalization threshold of P50,000 which are yet to be issued to end-users.

The supplies issuances to the COA were charged to the Auditing services account.

Pursuant to COA Circular No. 2020-002 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Inventory held for consumption account as at December 31, 2022 was restated as follows:

Particulars	As at December 31, 2022	Prior period adjustments *(Note 28)*	As at December 31, 2022 As restated
Semi-expendable inventory	6,816,333	(4,227,858)	2,588,475
Other supplies and materials inventory	5,313,570	-	5,313,570
Office supplies inventory	4,920,650	-	4,920,650
Inventory held for consumption	**17,050,553**	**(4,227,858)**	**12,822,695**

10. OTHER CURRENT ASSETS

This account includes the following:

	Note	2023	2022 As restated
Deposits	*10.1*	6,288,138	3,560,637
Advances	*10.2*	794,055	278,669
Other assets	*10.4*	1,515,497	1,824,667
		8,597,690	**5,663,973**

10.1. Deposits

This account represents guarantee deposits on leased office premises.

Pursuant to COA Circular Nos. 2015-010 and 2016-006 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Deposits account as at December 31, 2022 was restated as follows:

Particulars	**Amount**
Deposits, December 31, 2022	3,574,135
Add/(Deduct): Prior year adjustment *(Note 28)*	
Overstatement of Guarantee deposits	(13,498)
Deposits, December 31, 2022, as restated	**3,560,637**

10.2. Advances

	2023	2022
Advances to Special Disbursing Officer	633,237	127,237
Advances to officers and employees	160,818	151,432
	794,055	**278,669**

10.3. Prepayments

There are no prepayments for the years 2023 and 2022.

10.4. Other Assets

This account consists of Other assets amounting to P1,515,497 and P1,824,667 as at December 31, 2023 and 2022, respectively.

11. INVESTMENTS – NON-CURRENT

This account consists of:

	Note	2023	2022
Investment in bonds-long term-fixed rate treasury notes (FXTN)		1,095,438,229	1,246,057,045
Investment in bonds-long term-retail treasury bonds (RTB)		698,898,178	1,131,191,283
		1,794,336,407	**2,377,248,328**
Other investments	*11.1*	2,141,600	2,141,600
		1,796,478,007	**2,379,389,928**

The breakdown of the Investment in bonds is as follows:

Particulars	Amount	Term	Interest Rate	Maturity Date
LBP-RTB:				
RTB 5-13	448,787,334	3.85 yrs.	2.63%	08/12/2025
RTB 3-11	200,110,844	2.42 yrs.	2.38%	03/09/2024
RTB 5-13	50,000,000	4.21 yrs.	2.63%	08/12/2025
	698,898,178			
FXTN:				
FXTN 07-64	497,932,520	6.91 yrs.	3.63%	04/22/2028
FXTN 05-77	496,542,580	4.87 yrs.	3.38%	04/08/2026
FXTN 05-77	100,963,129	4.51 yrs.	3.38%	04/08/2026
	1,095,438,229			
	1,794,336,407			

11.1. Other Investments

This account represents investments in the following:

	2023	2022
Asia Pacific Rural and Agricultural Credit Association (APRACA) Trust Development Fund	1,500,000	1,500,000
Cooperative Insurance System of the Philippines (CISP) -3,000 shares @ P100 per share	300,000	300,000
Philippine Long Distance Telephone Company (PLDT)	199,100	199,100
Club Filipino	100,000	100,000
Pool of Livestock Insurers (PLIs)	40,000	40,000
Eastern Visayas Telephone Company, Inc. (EVTCI)- 50 shares @ P50 per share	2,500	2,500
	2,141,600	**2,141,600**

The fair value of investments to APRACA Trust Development Fund, CISP, PLIs, and EVTCI are not available because these are not publicly listed companies.

12. RECEIVABLES - NON-CURRENT

This account consists of the following:

	Note	2023	2022 As restated
Loans and receivable		1,161	1,161
Less: Allowance for impairment		(1,161)	(1,161)
	12.2	-	-
Other receivables		121,673,267	121,895,928
Less: Allowance for impairment		(109,322,810)	(109,523,290)
	12.3	12,350,457	12,372,638
		12,350,457	**12,372,638**

12.1. Inter-agency receivables

Pursuant to COA Circular No. 2020-002 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Inter-agency receivables account as at December 31, 2022 was restated as follows:

Particulars	Amount
Inter-agency receivables, net, December 31, 2022	327,488
Add/(Deduct): Prior period adjustments *(Note 28)*	
Reclassification to Other receivables	(327,488)
Inter-agency receivables, net as restated, December 31, 2022	**-**

12.2. Loans and receivable

This account consists of the following:

	2023	2022
Reinsurance commission	1,161	1,161
Less: Allowance for impairment	(1,161)	(1,161)
	-	-

Pursuant to COA Circular No. 2020-002 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Allowance for impairment-loans and receivable-account as at December 31, 2022 was restated as follows:

Particulars	Amount
Allowance for impairment-loans and receivable, December 31, 2022	-
Add/(Deduct): Prior period adjustments *(Note 28)*	
Set-up of allowance for impairment	1,161
Allowance for impairment-loans and receivable, December 31, 2022 as restated	**1,161**

12.3. Other receivables

This account consists of the following:

	2023	2022 As restated
Guarantee receivables	106,332,924	106,455,713
Receivables-disallowances/charges	10,966,399	12,372,638
Unremitted recoveries	352,639	352,639
Other receivables-others	4,021,305	2,714,938
	121,673,267	121,895,928
Less: Allowance for impairment	(109,322,810)	(109,523,290)
	12,350,457	**12,372,638**

The following disclosures pertain to Guarantee and Other receivables-others accounts:

a. Guarantee receivables account refers to amounts due from banking institutions and lending conduits that extended production and production-related loans to small farmers.

b. The Other receivables-others account consists of the following:

b.1. Special time deposit (STD) claims paid were governed by the PCIC Circular Letter No. 004 dated May 27, 1981. The PCIC pays 85 per cent of the outstanding loan balances of farmers, while the LBP undertakes the collection to be remitted to the PCIC RO within 30 days from receipt.

b.2. Adjudicated claims account stemmed from the paid STD claims, where the LIs after five (5) years of collecting loans from farmers-borrowers applied for adjudication, thus resulting in the transfer of the collection function to the PCIC. This receivable represents claims from the Rural Bank of Nasipit in the year 1983.

b.3. One of the PCIC's business lines is Agricultural Guarantee. Under this program, the agricultural loans of farmers from the rural banks or LIs were guaranteed by the PCIC using the Agricultural Guarantee Fund (AGF).

b.4. Claims on the bank–unremitted recoveries represent recoveries on guarantee loans not yet remitted by LIs.

b.5. Due from banks represents excess payments made by the PCIC to LIs under the guarantee program.

c. Receivable-disallowances/charges account represents the amount due from public/private individuals/entities for audit disallowances that have become final and executory.

Pursuant to COA Circular No. 2020-002 as well as PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Other receivables account as at December 31, 2022 was restated as follows:

Particulars	As at December 31, 2022	Prior period adjustments *(Note 28)*	As at December 31, 2022 As restated
Guarantee receivables	102,363,863	4,091,850	106,455,713
Receivable - disallowances/charges	12,104,015	268,623	12,372,638
Unremitted recoveries	352,639	-	352,639
Other receivables - others	3,724,229	(1,009,291)	2,714,938
	118,544,746	3,351,182	121,895,928
Less: Allowance for impairment	(106,438,993)	(3,084,297)	(109,523,290)
	12,105,753	**266,885**	**12,372,638**

13. PROPERTY, PLANT AND EQUIPMENT (PPE)

This account consists of the following:

	Land	Land improvements	Building and other structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and books	Leased assets and leased asset improvements	Other PPE	Tota
Cost:									
Jan. 1, 2023, as restated	**501,800**	**2,387,868**	**17,232,436**	**40,361,010**	**82,743,857**	**3,940,003**	**21,098,801**	**5,667,005**	**173,932,78**
Add: Acquisitions	-	-	-	9,678,488	35,699,674	761,000	2,757,948	-	48,897,11
Less: Disposals	-	-	-	(186,874)	-	-	-	-	(186,874
Add/(Deduct): Adjustments	-	-	-	847,939	2,127,849	(79,327)	(4,039,691)	(5,573,368)	(6,716,598
December 31, 2023	**501,800**	**2,387,868**	**17,232,436**	**50,700,563**	**120,571,380**	**4,621,676**	**19,817,058**	**93,637**	**215,926,41**
Accumulated Depreciation:									
Jan. 1, 2023, as restated		**1,133,762**	**2,972,424**	**20,722,416**	**53,884,297**	**2,118,677**	**10,013,875**	**5,258,439**	**96,103,89**
Depreciation (*Note 36*)	-	214,908	516,973	5,504,185	6,028,561	339,303	1,054,568	7,839	13,666,33
Add/(Deduct): Adjustments	-			522,038	2,169,804	(71,395)	(541,027)	(5,182,005)	(3,102,58
December 31, 2023	**-**	**1,348,670**	**3,489,397**	**26,748,639**	**62,082,662**	**2,386,585**	**10,527,416**	**84,273**	**106,667,64**
Carrying amount, Dec. 31, 2023	**501,800**	**1,039,198**	**13,743,039**	**23,951,924**	**58,488,718**	**2,235,091**	**9,289,642**	**9,364**	**109,258,77**
Carrying amount, December 31, 2022, as restated	**501,800**	**1,254,106**	**14,260,012**	**19,638,594**	**28,859,560**	**1,821,326**	**11,084,926**	**408,566**	**77,828,89**

Pursuant to COA Circular No. 2020-002 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, accounts classified under Property, plant and equipment as at December 31,2022 were restated as follows:

	Land	Land improvements	Building and other structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and books	Leased assets and leased asset improvements	Other PPE	Tot
Cost:									
December 31, 2022	**501,800**	**2,387,868**	**17,232,436**	**40,361,010**	**82,743,857**	**3,940,003**	**21,098,801**	**6,514,806**	**174,780,5**
Deduct: Prior period adjustments (*Note 28*)	-	-	-	-	-	-	-	(847,801)	(847,80
Cost, December 31, 2022, as restated	**501,800**	**2,387,868**	**17,232,436**	**40,361,010**	**82,743,857**	**3,940,003**	**21,098,801**	**5,667,005**	**173,932,7**
Accumulated Depreciation:									
January 1, 2022	**-**	**1,133,762**	**2,972,424**	**20,792,309**	**53,722,685**	**2,118,677**	**10,049,782**	**5,258,439**	**96,048,07**
Deduct: Prior period adjustments (*Note 28*)	-	-	-	(69,893)	161,612	-	(35,907)	-	55,81
Accumulated depreciation, December 31, 2022, as restated	**-**	**1,133,762**	**2,972,424**	**20,722,416**	**53,884,297**	**2,118,677**	**10,013,875**	**5,258,439**	**96,103,8**
Carrying amount, December 31, 2022, as restated	**501,800**	**1,254,106**	**14,260,012**	**19,638,594**	**28,859,560**	**1,821,326**	**11,084,926**	**408,566**	**77,828,8**

14. INTANGIBLE ASSETS

This account represents the cost of developing the PCIC Automated Business System (PABS), which is being amortized for 10 years. It also includes Other computer software.

	2023	2022 As restated
Cost, beginning balance	7,418,404	7,177,766
Additions	170,814	240,638
	7,589,218	**7,418,404**
Accumulated amortization, beginning balance	5,551,473	4,878,814
Amortization *(Note 36)*	635,326	635,326
Adjustment	7,839	37,333
	6,194,638	**5,551,473**
Carrying amount	**1,394,580**	**1,866,931**

Pursuant to COA Circular No. 2020-002 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Intangible assets account as at December 31, 2022 was restated as follows:

Particulars	Amount
Intangible assets, cost, December 31, 2022	**7,418,404**
Add/(Deduct): Prior period adjustment *(Note 28)*	-
Intangible assets, cost, January 1, 2023, as restated	**7,418,404**
Accumulated amortization, December 31, 2022	**5,497,340**
Add/(Deduct): Prior period adjustment *(Note 28)*	
Unrecorded amortization of computer software	54,133
Accumulated amortization, December 31, 2022, as restated	**5,551,473**
Carrying amount, December 31, 2022, as restated	**1,866,931**

15. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2023	2022 As restated
Prepaid rent	941,069	635,049
Prepaid insurance	774,838	579,391
Other prepayments	1,032,536	74,666
	2,748,443	**1,289,106**

This account includes prepaid rent and deposit for the Provincial Extension Offices (PEOs) in the ROs, prepaid insurance, and others.

Pursuant to COA Circular No. 2020-002 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, accounts classified under Other non-current assets as at December 31, 2022 were restated as follows:

Particulars	As at December 31, 2022	Prior period adjustment *(Note 28)*	As at December 31, 2022 As restated
Prepaid rent	664,048	(28,999)	635,049
Prepaid insurance	579,391	-	579,391
Other prepayments	74,666	-	74,666
	1,318,105	**(28,999)**	**1,289,106**

16. FINANCIAL LIABILITIES – CURRENT

This account consists of the following:

	2023	2022 As restated
Accounts payable	43,621,519	10,821,179
Due to officers and employees	702,134	9,934,562
	44,323,653	**20,755,741**

The Accounts payable account consists of the following:

	2023	2022 As restated
Creditors/others	40,374,679	1,412,327
Operating lease payable	2,116,840	5,545,422
Accrued death benefits payable	1,130,000	2,110,000
COA	-	1,753,430
	43,621,519	**10,821,179**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Accrued death benefits payable account as at December 31, 2022 was restated/reclassified as follows:

Particulars	As at December 31, 2022	Prior period adjustment *(Note 28)*	As at December 31, 2022 As restated
Accrued death benefits payable	930,000	1,180,000	2,110,000
	930,000	**1,180,000**	**2,110,000**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Due to officers and employees account as at December 31, 2022 was restated/reclassified as follows:

Particulars	As at December 31, 2022	Prior period adjustment *(Note 28)*	As at December 31, 2022 As restated
Due to officers and employees	375,814	9,558,748	9,934,562
	375,814	**9,558,748**	**9,934,562**

17. INTER-AGENCY PAYABLES – CURRENT

This account consists of the following:

	2023	2022 As restated
Due to NGAs	27,465,568	5,321,375
Due to Bureau of Internal Revenue (BIR)	6,539,836	4,899,568
Due to GSIS	4,424,760	3,952,170
Due to Other funds	687,239	659,415
Due to Philippine Health Insurance Corporation (PhilHealth)	509,503	385,992
Due to Social Security System (SSS)	372,185	357,155
Due to local government units (LGUs)	368,391	368,391
Due to Home Mutual Development Fund (Pag-IBIG)	274,840	118,071
	40,642,322	**16,062,137**

Due to NGAs account as at December 31, 2023 consists of premiums from LGUs, while the Due to LGUs account as at December 31, 2023 consists of local government taxes.

Due to BIR account consists of the following:

	2023	2022 As restated
Withholding taxes	5,029,897	3,000,190
Documentary stamps and other taxes	1,509,939	1,899,378
	6,539,836	**4,899,568**

Due to Other funds account consists of the following:

	2023	2022 As restated
Agricultural Credit Policy Council (ACPC)	478,791	478,791
SRTF	112,097	84,273
Comprehensive Agricultural Loan Facility (CALF)	96,351	96,351
	687,239	**659,415**

The CALF is a temporary account lodged at the ROs, debited for cash receipts initially identifiable as for the CALF program, but the proper account to credit cannot yet be identified until supporting papers accompanying the remittance have been processed, after which entries against this account are reversed (credited).

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, accounts classified under Inter-agency payables - current as at December 31, 2022 were restated/reclassified as follows:

Particulars	As at December 31, 2022	Prior period adjustments *(Note 28)*	As at December 31, 2022 As restated
Due to LGUs	5,689,766	(5,321,375)	368,391
Due to BIR	4,714,392	185,176	4,899,568
Due to GSIS	2,993,624	958,546	3,952,170
Due to NGAs	659,415	4,661,960	5,321,375
Due to SSS	357,155	-	357,155
Due to PhilHealth	253,076	132,916	385,992
Due to Pag-IBIG	104,571	13,500	118,071
Due to Other funds	-	659,415	659,415
	14,771,999	**1,290,138**	**16,062,137**

18. TRUST LIABILITIES - CURRENT

This account consists of the following:

	2023	2022 As restated
Trust liabilities – Agri-Agra	2,103,072,287	3,505,268,430
Trust liabilities – SRTF	723,148	321,426
Trust liabilities - DA/Philippine Council for Agriculture and Fisheries (PCAF)	412,784	180,873
Trust liabilities – others	23,219,700	15,240,318
	2,127,427,919	**3,521,011,047**

18.1. In CY 2023, Trust liabilities account includes unutilized Agri-Agra funds received from the BSP amounting to P2.103 billion, representing the PCIC's 45 per cent share (50 per cent of 90 per cent) on the penalties collected by the BSP from lending/banking institutions due to the latter's non-compliance with the Agri-Agra Law (RA No. 10000), specifically Section 6 thereof.

The movement of the fund in CY 2023 is as follows:

Particulars	Amount
Balance, December 31, 2022, as restated	3,505,268,430
Deduct: Remittances from BSP for the year	-
Adjustments	(570,186)
Available funds for the year	3,504,698,244
Less: Amount utilized for the year	(1,401,625,957)
Balance, December 31, 2023	**2,103,072,287**

The amount utilized for the year totaling P1,401,625,957 pertains to insurance granted to subsistence farmers and fisherfolk under various programs of the PCIC, such, as DA-Sikat-Saka, PLEA/SURE, APCP, DA HYBRID, PPI and Non-RSBSA, as approved by the BOD through BRs, wherein the PCIC assumes 100 per cent of the insurance premiums. The PCIC regular programs also utilized the fund for its 55 per cent share in premiums.

18.2. Trust liabilities – others account consists of the insurance premiums deposited to the PCIC bank accounts which awaiting submission of necessary documents before they can be treated as income.

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, accounts classified under Trust liabilities – current as at December 31, 2022 were restated/reclassified as follows:

Particulars	As at December 31, 2022	Prior period adjustments *(Note 28)*	As at December 31, 2022 As restated
Trust liabilities – Agri-Agra	3,505,109,959	158,471	3,505,268,430
Trust liabilities - SRTF	321,426	-	321,426
Trust liabilities - DA/PCAF	187,123	(6,250)	180,873
Trust liabilities - others	15,222,818	17,500	15,240,318
	3,520,841,326	**169,721**	**3,521,011,047**

19. DEFERRED CREDITS/UNEARNED INCOME – CURRENT

This account consists of the following:

	2023	2022 As restated
Deferred credits	29,715,292	33,625,212
	29,715,292	**33,625,212**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Deferred credits account as at December 31, 2022 was restated as follows:

Particulars	Amount
Deferred credits, December 31, 2022	37,542,120
Add/(Deduct): Prior period adjustment *(Note 28)*	
Returns/Cancellation of insurance premiums	(3,916,908)
Deferred credits, December 31, 2022, as restated	**33,625,212**

20. PROVISIONS – CURRENT

This account consists of the following:

	2023	2022 As restated
Leave benefits payable	79,542,747	78,425,582
Other provisions-provident fund	1,655,946	1,082,471
	81,198,693	**79,508,053**

This account represents Leave benefits payable. Pursuant to PAS 19, *Employee Benefits*, the Corporation recognizes wages and other contributions as short-term employee benefits and termination benefits as post-employment benefits.

Pursuant to COA Circular No. 2020-002 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* Leave benefits payable and Other provisions – provident fund accounts as at December 31, 2022 were restated as follows:

Particulars	Amount
Leave benefits payable, December 31, 2022	78,399,297
Add/(Deduct): Prior period adjustment *(Note 28)*	
Adjustment on leave benefits due to CPCS implementation	26,285
Leave benefits payable, December 31, 2022, as restated	**78,425,582**

Particulars	Amount
Other provisions – provident fund, December 31, 2022	413,171
Add/(Deduct): Prior period adjustment *(Note 28)*	
Adjustment due to CPCS implementation	669,300
Other provisions – Provident fund, December 31, 2022, as restated	**1,082,471**

21. OTHER PAYABLES - CURRENT

This account consists of the following:

	2023	2022 As restated
Accrued expenses	16,036,619	29,473,303
Return premiums payable	2,805,728	2,774,631
Service fee payable	1,164,088	2,214,289
Others	521,265,370	173,702,989
	541,271,805	**208,165,212**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Other payables-accrued expenses account for CY 2022 were restated/reclassified as follows:

Particulars	Amount
Accrued expenses, December 31, 2022	26,458,527
Add/(Deduct): Prior period adjustment *(Note 28)*	
To set up unpaid Maintenance and other operating expenses (MOOE) accounts	3,014,776
Accrued expenses, December 31, 2022, as restated	**29,473,303**

Particulars	Amount
Return premiums payable, December 31, 2022	3,416,713
Add/(Deduct): Prior period adjustment *(Note 28)*	
Closing of dormant return premiums payable to miscellaneous income	(642,082)
Return premiums payable, December 31, 2022, as restated	**2,774,631**

Particulars	Amount
Service fee payable, December 31, 2022	3,238,652
Add/(Deduct): Prior period adjustment *(Note 28)*	
Closing of dormant other payables-service fee to miscellaneous income	(1,024,363)
Service fee, December 31, 2022, as restated	**2,214,289**

Particulars	Amount
Others, December 31, 2022	189,131,745
Add/(Deduct): Prior period adjustment *(Note 28)*	
Closing of dormant other payables-others to miscellaneous income	(15,428,756)
Others, December 31, 2022, as restated	**173,702,989**

22. TRUST LIABILITIES – NON-CURRENT

This account consists of the following:

	2023	2022
Trust liabilities – SRTF	321,131,614	312,838,094
Others	1,203,989	1,310,389
	322,335,603	**314,148,483**

The PCIC-SRTF was created under Letter of Instruction (LOI) No. 1242 dated May 21, 1982, "*Providing a Measure to Facilitate Guarantee Payments Under the Masagana 99 Program.*" Under this program, LIs, particularly the Philippine National Bank (PNB) and rural banks, may avail of special guarantee payments of up to 85 per cent of the past due Masagana 99 loans, with the following conditions: (a) have been in arrears for three (3) years or more as of the date of effectivity of the LOI, and (b) were not the subject of previous advances/payments from the AGF.

The Fund was set up for the purpose of restoring the good credit standing of these banks with then Central Bank of the Philippines, now BSP, and also to enable them to regain their capability to render financial services to the rural communities through their continued participation in the supervised credit program.

A special guarantee payment scheme was developed wherein the PCIC, as Administrator of the fund, would pay up to 85 per cent of the principal portion of these arrearages in three installments: (a) 25 per cent of the eligible loan arrearages on the first year; (b) 30 per cent on the second year; and (c) 30 per cent on the third year.

The beneficiary LIs are required to restructure these past due loans and to remit back to the PCIC 85 per cent of the principal portion of all collection on these accounts.

The NG appropriated P450 million for this purpose. The Corporation received P75 million in CY 1982, P345.780 million during the last quarter of CY 1984, and P29.220 million in CY 1985.

The remaining balance of the Trust Fund account of SRTF is included under Cash and cash equivalents – General and administrative fund and Time deposit, local currency, as disclosed in *Note 6.*

23. DEFERRED CREDITS/UNEARNED INCOME – NON-CURRENT

This represents fees received from LIs and farmers whose applications for insurance coverage are in process and held in abeyance.

There are no deferred credits for the years 2023 and 2022.

24. PROVISION FOR INSURANCE CONTRACT LIABILITIES

This account consists of the following:

	Note	2023	2022 As restated
Claims liability	*24.1*	839,377,592	1,650,359,357
Premium reserve liability	*24.2*	1,255,522,118	1,089,343,160
		2,094,899,710	**2,739,702,517**

24.1. Claims liability

This account consists of the following:

	Note	2023	2022 As restated
Due and unpaid claims	*24.1.a*	285,943,364	1,065,623,253
Incurred but not reported	*24.1.b*	491,258,110	484,941,267
Provision for claims handling expense	*24.1.c*	62,176,118	99,794,837
		839,377,592	**1,650,359,357**

This account pertains to claims incurred but not yet paid as of the valuation date. It includes Due and unpaid claims, IBNR, and Provision for claims handling expenses.

24.1.a. Due and unpaid claims refer to the estimated amounts of reported claims that have not been settled as of the valuation date and consist of the following:

	2023	2022 As restated
Rice	169,724,924	637,649,749
Corn	42,665,437	186,485,525
HVC	9,691,114	132,654,985
Livestock	53,673,715	59,436,762
Fisheries	1,430,650	13,004,308
Non-crop	2,034,357	26,941,036
CLTI	6,723,167	9,450,888
	285,943,364	**1,065,623,253**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Due and unpaid claims account as at December 31 2022 was restated as follows:

Particulars	As at December 31, 2022	Prior period adjustments *(Note 28)*	As at December 31, 2022 As restated
Rice	532,197,979	105,451,770	637,649,749
Corn	155,175,801	31,309,724	186,485,525
HVC	161,930,373	(29,275,388)	132,654,985
Livestock	46,983,093	12,453,669	59,436,762
Fisheries	11,820,848	1,183,460	13,004,308
Non-crop	25,263,547	1,677,489	26,941,036
CLTI	7,327,614	2,123,274	9,450,888
	940,699,255	**124,923,998**	**1,065,623,253**

24.1.b. **IBNR** refers to the amount to be provided for claims in respect of claims events that have occurred but have not been reported to the Corporation as of the valuation date and consist of the following:

	2023	2022
Rice	306,218,156	301,727,020
Corn	123,182,844	100,284,665
HVC	27,237,971	30,220,837
Livestock	25,555,292	35,943,451
Fisheries	2,302,016	5,514,930
Non-crop	2,064,770	6,553,303
CLTI	4,697,061	4,697,061
	491,258,110	**484,941,267**

24.1.c. **Provisions for claims handling expense** refers to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of the valuation date and consist of the following:

	2023	2022
Rice	38,075,447	58,374,750
Corn	13,267,862	17,882,233
HVC	2,954,327	13,450,585
Livestock	6,338,321	5,804,858
Fisheries	298,613	1,213,504
Non-crop	327,930	2,227,180
CLTI	913,618	841,727
	62,176,118	**99,794,837**

24.2. Premium reserve liability-non-current

This account represents the statutory legal reserve required for all unexpired risks of the PCIC, computed as the proportion of the remaining unexpired coverage period over the period covered by the premium, exact to days.

This account consists of the following:

	2023	2022 As restated
Rice	442,709,977	337,313,146
Corn	178,078,125	158,226,796
HVC	312,962,985	311,157,009
Livestock	255,833,901	219,652,548
Fisheries	7,495,650	4,039,521
Non-crop	27,348,578	27,334,094
CLTI	31,092,902	31,620,046
	1,255,522,118	**1,089,343,160**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Premium reserve liability-non-current account as at December 31, 2022 was restated as follows:

Particulars	Amount
Premium reserve liability, non-current, December 31, 2022	1,149,472,975
Add/(Deduct): Prior period adjustment *(Note 28)*	
Under provision of premium reserve	(60,129,815)
Premium reserve liability, non-current, December 31, 2022, as restated	**1,089,343,160**

The Actuarial Research and Product Valuation Department (ARPVD), together with the Finance Department (FD), computed the actuarial valuation for the Provision for insurance contract liabilities for CYs 2023 and 2022 per IC Circular No. 2018-18.

As prescribed in IC Circular No. 2018-18, the Unearned Premium Reserves (UPR) as of valuation date, shall be computed as the proportion of the remaining unexpired coverage period over the period covered by the premium, exact to days.

Unearned Risk Reserves (URR) with Margin for Adverse Deviation (MfAD) and Expense Reserves are composed of the URR (UPR x Loss Ratio), the Expense Reserves (UPR x Expense Ratio), and the MfAD (URR x MfAD ratio).

The Premium reserves will be the higher between the UPR and URR with MfAD and Expense Reserves.

The Claims reserves on the other hand are composed of:

1. Due and Unpaid or the accrued claims as of the valuation date.

2. IBNR amount to be provided for claims in respect of claims events that have occurred but have not been reported to the PCIC as at the valuation date. A loss development triangle was formed considering the dates incurred and reported claims on a yearly basis. Loss Development Factors (LDF) are estimated as the weighted mean of individual development factors with the cumulative losses serving as weights. The resulting LDFs are correspondingly applied to the claims for the year. The difference is then set-up as the IBNR for the year. This method of computation was recommended by the actuary engaged by the PCIC in CY 2022.

3. Provision for claims handling expense [(Due and Unpaid + IBNR) X Expense Ratio].

25. OTHER PAYABLES – NON-CURRENT

There are no other payables-non-current account for CYs 2023 and 2022.

26. CONTRIBUTED CAPITAL

Under RA No. 8175, the authorized share capital of the PCIC increased from P750 million to P2 billion divided into 15 million common shares each with a par value of P100 for government subscription, and five million preferred shares also with a par value of P100 per share.

As at December 31, 2023, the Corporation's subscribed capital stock amounting to P1.500 billion was fully paid by the NG.

27. STOCKHOLDERS' EQUITY

This account consists of the following:

	Note	2023	2022
Share capital	*27.1*	100,000,000	100,000,000
Share premium	*27.2*	159,451,431	159,451,431
		259,451,431	**259,451,431**

27.1. Share capital

The total authorized preferred share is five million shares with par value of P100 per share. As at December 31, 2023, the Corporation's paid-up Share capital stood at P100 million subscribed and paid by the LBP.

27.2 Share premium

This represents the amount by which the assets (mostly receivables of the AGF net of valuation reserves) exceeded the P150 million initial contribution of the government to the capital of the Corporation.

28. RETAINED EARNINGS

	2023	2022 As restated
Balance, beginning of year	219,247,171	652,490,390
Add/(Deduct):		
Prior period adjustments	-	7,343,058
Dividends	(72,617,751)	(513,779,607)
Comprehensive income	772,993,104	73,193,330
	919,622,524	**219,247,171**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Retained earnings account as at December 31, 2022, was restated as follows:

For the SCI:

Particulars	Note			Amount
Retained earnings, January 1, 2022				**652,490,390**
Add/(Deduct): Adjustments to beginning Retained earnings:				
Miscellaneous income				13,803,226
Insurance premium reserve – Rice				(2,000)
Insurance benefit				177,949
Underwriting expenses				3,308,003
Personnel services				(1,791,070)
MOOE				(8,605,335)
Non-cash expenses				452,285
Prior year's adjustments				*7,343,058*
Retained earnings, January 1, 2022, as restated				**659,833,448**
Unrestated Net income				**145,235,501**
Add/(Deduct): Adjustments to SCI:				
Insurance/Reinsurance premium - Corn	*30.1*	34,398		
Insurance/Reinsurance premium - CLTI		8,250		
Insurance/Reinsurance premium - Rice		(45,148)	(2,500)	
Insurance premium reserve - HVC	*30.2*	39,570,621		
Insurance premium reserve - Livestock		13,394,021		
Insurance premium reserve - Corn		3,064,087		
Insurance premium reserve - CLTI		2,148,604		
Insurance premium reserve - Fisheries		1,575,108		
Insurance premium reserve - Non-crop		383,157		
Insurance premium reserve - Rice		(5,783)	60,129,815	
Miscellaneous income	*31*		2,128,001	62,255,316
Insurance benefits-Rice	*32.1*	(104,607,478)		
Insurance benefits-Corn		(31,083,936)		
Insurance benefits-Fisheries		(2,792,274)		
Insurance benefits-HVC		29,290,348		
Insurance benefits-CLTI		(2,309,937)		
Insurance benefits-Livestock		(12,470,382)		
Insurance benefits-Non-crop		(99,479)	(124,073,138)	
Commission expenses	*32.2*	(11,297,075)		
Death benefits-Rice	*32.3*	(939,893)		
Honoraria and incentives	*32.5*	12,015,182	(221,786)	
Salaries and wages	*33*	(4,182,743)		
Other compensation		(1,216,581)		
Personnel benefits contribution		(901,174)		
Other personnel benefits		(29,167)	(6,329,665)	
Survey, research, exploration and development	*34*	(1,380,000)		
Supplies and materials expenses		(1,074,897)		
Professional services		(247,586)		
Taxes, insurance premiums and other fees		(182,626)		
Utility expenses		(89,097)		
Communication expenses		(44,038)		
Traveling expenses		(21,885)		
General services		(20,000)		
Repairs and maintenance		51,097		
Other MOOE	*34*	(582,568)	(3,591,600)	
Depreciation-Transportation equipment	*36*	(112,162)		
Depreciation-Machinery and equipment		11,757		
Depreciation-Leased assets improvements		35,907		
Amortization-Intangible assets		(16,800)	(81,298)	(134,297,487)
Total Prior year's adjustments				(72,042,171)
Restated Net income				73,193,330
Less: Dividends paid				513,779,607
Retained earnings, December 31, 2022, as restated				**219,247,171**

For SFP:

Particulars	Note			Amount
Retained earnings, January 1, 2022				**652,490,390**
Add/(Deduct): Overstated Net income				**145,235,501**
Prior period adjustments to SFP:				
Cash on hand	6		(1,840)	
Cash in bank-local currency	6		203,273	
Interests receivable	8.1	(182,626)		
Due from NGAs	8.2	(66,303)		
Due from other government corporations	8.2	49,597		
Due from officers and employees	8.3	27,784		
Other receivables, net, reclassification from current to non-current	8.3	251,909	80,361	
Inter-agency receivables	12.1		(327,488)	
Semi-expendable office equipment	9	(3,805,403)		
Semi-expendable furniture and fixtures		(422,455)	(4,227,858)	
Guarantee deposits	10.1		(13,498)	
Allowance for impairment-Due from reinsurer	12.2		(1,161)	
Guarantee receivables	12.3		4,091,850	
Receivables-disallowances/charges	12.3		268,623	
Other receivables, net, reclassification from current to non-current	12.3		(1,009,291)	
Allowance for impairment-Other receivables	12.3		(3,084,297)	
Accumulated depreciation-Machinery and equipment	13	69,893		
Accumulated depreciation-Transportation equipment	13	(161,612)		
Accumulated depreciation-Leased assets and leased asset improvements, Buildings	13	35,907		
Other property, plant and equipment	13	(847,801)	(903,613)	
Accumulated amortization-computer software	14		(54,133)	
Prepaid rent	15		(28,999)	(5,008,071)
Accrued death benefits payable	16		(1,180,000)	
Due to officers and employees	16		(9,558,748)	
Due to LGUs	17	5,321,375		
Due to BIR		(185,176)		
Due to GSIS		(958,546)		
Due to NGAs		(4,661,960)		
Due to PhilHealth		(132,916)		
Due to Pag-IBIG		(13,500)		
Due to other funds		(659,415)	(1,290,138)	
Trust liabilities – Agri-Agra	18.2	(158,471)		
Trust liabilities - DA/PCAF	18.2	6,250		
Trust liabilities - others	18.2	(17,500)	(169,721)	
Deferred credits	19		3,916,908	
Leave benefits payable	20	(26,285)		
Other provisions - provident fund	20	(669,300)	(695,585)	
Other payables - accrued expenses	21	(3,014,776)		
Other payables - service fee payable		1,024,363		
Return premiums payable		642,082		
Other payables - others		15,428,756	14,080,425	
Due and unpaid claims-Rice	24.1a	(105,451,770)		
Due and unpaid claims-Corn		(31,309,724)		
Due and unpaid claims-HVC		29,275,388		
Due and unpaid claims-Livestock		(12,453,669)		
Due and unpaid claims-Fisheries		(1,183,460)		
Due and unpaid claims-Non-crop		(1,677,489)		
Due and unpaid claims-CLTI		(2,123,274)	(124,923,998)	
Reserve for unearned premiums-Rice	24.2	(5,783)		
Reserve for unearned premiums-Corn		3,064,086		
Reserve for unearned premiums-HVC		39,570,622		
Reserve for unearned premiums-Livestock		13,394,021		
Reserve for unearned premiums-Fisheries		1,575,108		
Reserve for unearned premiums-Non-crop		383,157		
Reserve for unearned premiums-CLTI		2,148,604	60,129,815	(59,691,042)
Total prior year adjustments in SFP net of the effect of the SCI accounts in 2022				**(64,699,113)**
Retained earnings, December 31, 2022				**733,026,778**
Less: Dividends paid				(513,779,607)
Retained earnings, December 31, 2022, as restated				**219,247,171**

29. DIVIDENDS TO THE NG

For the dividend year (DY) 2023, the PCIC declared dividends to the NG amounting to P772.993 million, representing 100 per cent of the year's net income. For the DY 2022, the PCIC declared dividends to the NG amounting to P72.618 million, representing 50 per cent of the year's net income. For DY 2021, the PCIC declared dividends to the NG amounting to P154.856 million, representing 50 per cent of the year's net income and an additional P358.924 million for the restated net income in DY 2020. For DY 2020, the PCIC declared dividends amounting to P317.075 million and paid an additional P176.373 million representing adjustments of dividends for DYs 2014 to 2018 as recommended by COA.

30. SERVICE AND BUSINESS INCOME

This account represents Insurance premiums underwritten for the year, net of Premium reserve, discounts, and cancellations.

	2023	2022 As restated
Rice	3,463,016,169	3,325,414,028
Corn	1,280,146,089	1,217,600,265
HVC	685,483,835	644,137,413
Livestock	684,678,329	684,260,933
CLTI	67,807,546	80,211,112
Non-crop	65,299,199	61,506,957
Fisheries	50,794,116	44,154,546
Total Insurance premiums	6,297,225,283	6,057,285,254
Less: Subsidy from national government	(4,500,000,000)	(4,500,000,000)
Insurance premiums, net of subsidy	1,797,225,283	1,557,285,254
Less: Changes in Premium reserve	(166,174,966)	(175,200,975)
Premium discounts	-	(10,153,059)
Returns and cancellations	-	(82,468)
	1,631,050,317	**1,371,848,752**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Insurance premiums account in CY 2022 was restated as follows:

Particulars	Amount
Insurance premiums, CY 2022	6,057,287,754
Add/(Deduct): Prior period adjustments *(Note 28)*	
Insurance/Reinsurance premium - Rice	(45,148)
Insurance/Reinsurance premium - Corn	34,398
Insurance/Reinsurance premium - CLTI	8,250
Insurance premiums, CY 2022, as restated	**6,057,285,254**

30.1. INSURANCE PREMIUMS, NET OF SUBSIDY

An insurance premium is the amount of money that the farmers and fisherfolk must pay for an insurance policy. The Insurance premium is income for the PCIC, once it is earned, and also represents a liability since the PCIC must provide coverage for claims being made against the policy. A breakdown of the sources of insurance premiums, net of subsidy is as follows:

	2023	2022 As restated
Agri-Agra funds from BSP	1,401,627,605	1,168,796,211
Farmers, fisherfolk, and LIs	195,597,678	188,489,043
PCIC funds and other sources	200,000,000	200,000,000
	1,797,225,283	**1,557,285,254**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Insurance premiums from Agri-Agra funds from BSP for CY 2022 were restated as follows:

Particulars	Amount
Insurance premiums from Agri-Agra funds from BSP, CY 2022	1,168,804,212
Add/(Deduct): Prior period adjustments *(Note 28)*	
Insurance premium-Rice	(42,399)
Insurance premium-Corn	34,398
Insurance premiums from Agri-Agra funds from BSP, CY 2022, as restated	**1,168,796,211**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Insurance premiums from farmers, fisherfolk and LIs - net of subsidy for CY 2022 were restated as follows:

Particulars	Amount
Insurance premiums from farmers, fisherfolk, and LIs, CY 2022	188,483,542
Add/(Deduct): Prior period adjustments *(Note 28)*	
Insurance premium-Rice	(2,749)
Insurance premium-CLTI	8,250
Insurance premiums from farmers, fisherfolk, and LIs, CY 2022, as restated	**188,489,043**

Breakdown of sources of insurance premiums from farmers, fisherfolk, and LIs for CY 2023:

	Farmers/Fisherfolk	LIs	Total
Rice	25,597,221	-	25,597,221
Corn	15,789,816	-	15,789,816
HVC	4,080,912	-	4,080,912
Livestock	72,666,317	-	72,666,317
Non-crop	7,299,581	-	7,299,581
Fisheries	2,356,285	-	2,356,285
CLTI	67,807,546	-	67,807,546
	195,597,678	**-**	**195,597,678**

Pursuant to Section 5 of RA No. 8175 on the rate of premiums and its sharing, the rate of premium, as well as the allocated sharing thereof by the farmers, the LIs, the Government of the Republic of the Philippines (herein called the Government) and other parties, shall be determined by the BOD of the Corporation, subject to approval by the President of the Philippines and provided that the share of the Government in the premium cost, in the form of premium subsidy, shall be limited to the subsistence farmers.

30.2. PREMIUM RESERVE

This account is a contra account of the Insurance premiums and is used to increase or decrease the statutory legal reserve for unexpired risks of the PCIC or the Reserve for an unearned premium account in the SFP, depending on the required reserve for the period. When the balance of the reserve is more than the required for the period, the Premium reserve is credited, therefore, increasing the premiums earned, but when the balance of the reserve is less than the required, the Premium reserve is debited which decreases the premiums earned. The required reserve is based on the computation as the proportion of the remaining unexpired coverage period over the period covered by the premium, exact to days, as prescribed in IC Circular No. 2018-18.

Details of Premium reserve are as follows:

	2023	2022 As restated
Rice	(105,497,532)	27,266,847
Corn	(18,734,160)	10,098,332
HVC	(294,727)	(218,628,212)
Livestock	(38,859,030)	15,452,274
Non-crop	(5,883,664)	(2,480,163)
Fisheries	2,567,003	(2,229,982)
CLTI	527,144	(4,680,071)
	(166,174,966)	**(175,200,975)**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the Premium reserve account for CY 2022 was restated as follows:

	CY 2022	Prior period adjustments *(Note 28)*	CY 2022 As restated
Rice	27,272,630	(5,783)	27,266,847
Corn	7,034,245	3,064,087	10,098,332
HVC	(258,198,833)	39,570,621	(218,628,212)
Livestock	2,058,253	13,394,021	15,452,274
Non-crop	(2,863,320)	383,157	(2,480,163)
Fisheries	(3,805,090)	1,575,108	(2,229,982)
CLTI	(6,828,675)	2,148,604	(4,680,071)
	(235,330,790)	**60,129,815**	**(175,200,975)**

The adjustments are mainly due to the adoption of the PFRS 4 and are based on the analysis and valuation of the ARPVD and the FD.

30.3. PREMIUM DISCOUNTS

This account represents the amount of premium discount granted to assured farmers in accordance with the PCIC policy.

	2023	2022
Premium discounts	-	10,153,059
	-	**10,153,059**

30.4. RETURNS AND CANCELLATIONS

This account represents premiums returned to assured farmers and/or LIs arising from insurance cancellations.

	2023	2022
Returns and cancellations	-	82,468
	-	**82,468**

31. OTHER NON-OPERATING INCOME

This account consists of the following:

	2023	2022 As restated
Interest income	88,289,522	109,900,225
Grants in kind	-	501,800
Other miscellaneous income	2,006,317	8,048,992
	90,295,839	**118,451,017**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Other miscellaneous income account for CY 2022 was restated as follows:

Particulars	**Amount**
Other miscellaneous income, CY 2022	5,920,991
Add/(Deduct): Prior period adjustment *(Note 28)*	
Closing of dormant payables to Miscellaneous income	2,128,001
Other miscellaneous income, CY 2022, as restated	**8,048,992**

32. DIRECT COSTS

This account consists of the following:

	2023	2022 As restated
Insurance benefits	4,486,250,584	4,995,434,861
Underwriting expenses:		
Death benefits	14,531,000	12,547,893
Commission expense	9,859,428	22,628,718
Reinsurance premiums ceded treaty/facultative	758,604	736,670
Honoraria and incentives	-	5,170,677
	4,511,399,616	**5,036,518,819**

32.1. INSURANCE BENEFITS

This account represents losses/claims paid and accrued for the period, details as follows:

	2023	2022 As restated
Rice	2,851,785,499	3,293,902,928
Corn	1,079,762,495	956,644,044
Livestock	368,129,006	341,751,287
HVC	122,844,290	272,355,995
CLTI	44,207,234	48,996,572
Fisheries	11,281,931	40,373,026
Non-crop	8,240,129	41,411,009
	4,486,250,584	**4,995,434,861**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Insurance benefits account for CY 2022 was restated as follows:

Particulars	CY 2022	Prior period adjustments *(Note 28)*	CY 2022 As restated
Rice	3,189,295,450	104,607,478	3,293,902,928
Corn	925,560,108	31,083,936	956,644,044
Livestock	329,280,905	12,470,382	341,751,287
HVC	301,646,343	(29,290,348)	272,355,995
CLTI	46,686,635	2,309,937	48,996,572
Fisheries	37,580,752	2,792,274	40,373,026
Non-crop	41,311,530	99,479	41,411,009
	4,871,361,723	**124,073,138**	**4,995,434,861**

32.2. COMMISSION EXPENSE

This account represents commission, service fees, and incentives given to underwriters and/or solicitors.

	2023	2022 As restated
Commission expense	9,859,428	22,628,718
	9,859,428	**22,628,718**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Commission expense account for CY 2022 was restated as follows:

Particulars	Amount
Commission expense, CY 2022	11,331,643
Add/(Deduct): Prior period adjustments *(Note 28)*	
Reclassification from honoraria to Commission expense	12,015,182
Decrease in Commission expense	(718,107)
Commission expense, CY 2022, as restated	**22,628,718**

32.3. DEATH BENEFITS

This is a built-in death benefit component of the insurance package for rice and corn assured farmers who may suffer death within the term of coverage provided said farmer is not more than 65 years of age at the inception of insurance.

	2023	2022 As restated
Death benefits	14,531,000	12,547,893
	14,531,000	**12,547,893**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Death benefits account for CY 2022 was restated as follows:

Particulars	Amount
Death benefits, CY 2022	11,608,000
Add/(Deduct): Prior period adjustment *(Note 28)*	
Increase in Death benefits – Rice, Corn, and HVC	939,893
Death benefits, CY 2022, as restated	**12,547,893**

32.4. REINSURANCE PREMIUMS CEDED TREATY/FACULTATIVE

This account represents premium on outward cessions under treaty/facultative agreement with reinsurers in the amounts of P758,604 and P736,670 for CYs 2023 and 2022, respectively.

32.5. HONORARIA AND INCENTIVES

This represents honoraria and incentives in the restated amount of P5,170,677 for CY 2022.

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Honoraria and incentives account for CY 2022 was restated as follows:

Particulars	Amount
Honoraria and incentives, CY 2022	17,185,859
Add/(Deduct): Prior period adjustment *(Note 28)*	
Reclassification from honoraria to Commission expense	(12,015,182)
Honoraria and incentives, CY 2022, as restated	**5,170,677**

33. PERSONNEL SERVICES

This account consists of the following:

	2023	2022 As restated
Salaries and wages	127,203,895	125,774,355
Other compensation	42,819,366	45,856,970
Personnel benefits contribution	29,669,201	30,220,620
Other personnel benefits	24,110,974	22,442,070
Directors' fee and allowances	396,000	315,000
	224,199,436	**224,609,015**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Personnel services account for CY 2022 was restated as follows:

Particulars	CY 2022	Prior period adjustments *(Note 28)*	CY 2022 As restated
Salaries and wages	121,591,612	4,182,743	125,774,355
Other compensation	44,640,389	1,216,581	45,856,970
Personnel benefits contribution	29,319,446	901,174	30,220,620
Other personnel benefits	22,412,903	29,167	22,442,070
Directors' fee and allowances	315,000	-	315,000
	218,279,350	**6,329,665**	**224,609,015**

Other compensation consists of the following:

	2023	2022 As restated
Year-end bonus	10,940,965	18,295,062
Mid-year bonus	10,025,930	2,795,286
Representation allowance	5,027,862	4,948,250
Transportation allowance	4,810,294	4,807,159
Personnel economic relief allowance	4,423,528	4,465,379
Other bonuses and allowances	3,700,394	6,261,151
Clothing/uniform allowance	1,114,000	1,140,000
Cash gift	930,500	975,000
Overtime and night pay	924,117	952,792
Productivity incentive allowance	615,000	761,500
Quarters allowance	161,818	144,000
Longevity pay	144,958	311,391
	42,819,366	**45,856,970**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, accounts classified under Personnel services – other compensation account for CY 2022 were restated as follows:

Particulars	2022	Prior period adjustments *(Note 28)*	2022 As restated
Year-end bonus	20,422,026	(2,126,964)	18,295,062
PERA	4,466,805	(1,426)	4,465,379
Other bonuses and allowances	5,711,466	549,685	6,261,151
	30,600,297	**(1,578,705)**	**29,021,592**

Other personnel benefits consist of the following:

	2023	2022 As restated
Terminal leave benefits	17,937,280	20,817,064
Other bonuses and allowances - medical, dental and hospital	243,602	285,763
Other bonuses and allowances - loyalty	150,000	65,000
Other bonuses and allowances - rice subsidy	141,521	994,246
Other bonuses and allowances - meals	48,461	278,004
Other bonuses and allowances – children's	110	1,993
Retirement gratuity	40,000	-
Other personnel benefits	5,550,000	-
	24,110,974	**22,442,070**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Terminal leave benefits accounts classified under Other personnel benefits for CY 2022 was restated as follows:

Particulars	**Amount**
Terminal leave benefits, CY 2022	20,787,897
Add/(Deduct): Prior period adjustments *(Note 28)*	
Adjustment due to CPCS implementation	29,167
Terminal leave benefits CY 2022, as restated	**20,817,064**

34. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

	2023	**2022 As restated**
Professional services	410,075,863	359,288,005
Traveling expenses	69,233,446	61,814,305
Supplies and materials expenses	50,326,288	41,177,025
Utility expenses	30,831,419	31,863,618
Taxes, insurance premiums and other fees	16,396,426	30,242,472
Training and scholarship expenses	16,337,305	17,358,083
Communication expenses	14,917,948	14,582,082
General services	14,521,836	13,227,652
Repairs and maintenance	11,390,276	9,437,933
Confidential, intelligence and extraordinary expenses	2,155,936	1,915,243
Survey, research, exploration and development	-	1,380,000
Other MOOE	61,569,412	55,513,311
	697,756,155	**637,799,729**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, accounts classified under MOOE for CY 2022 were restated as follows:

Particulars	**CY 2022**	**Prior period adjustments *(Note 28)***	**CY 2022 As restated**
Professional services	359,040,419	247,586	359,288,005
Traveling expenses	61,792,420	21,885	61,814,305
Supplies and materials expenses	40,102,128	1,074,897	41,177,025
Utility expenses	31,774,521	89,097	31,863,618
Taxes, insurance premiums and other fees	30,059,846	182,626	30,242,472
Training and scholarship expenses	17,358,083	-	17,358,083
Communication expenses	14,538,044	44,038	14,582,082
General services	13,207,652	20,000	13,227,652
Repairs and maintenance	9,489,030	(51,097)	9,437,933
Confidential, intelligence and extraordinary expenses	1,915,243	-	1,915,243
Survey, research, exploration and development	-	1,380,000	1,380,000
Other MOOE	54,930,743	582,568	55,513,311
	634,208,129	**3,591,600**	**637,799,729**

Supplies and materials expenses consist of the following:

	2023	2022 As restated
Office supplies expenses	26,653,413	20,835,901
Accountable forms expenses	9,900,228	10,652,073
Semi-expendable machinery and equipment expenses	6,235,373	4,146,487
Semi-expendable furniture, fixtures and books	1,180,862	1,708,237
Other supplies and materials expenses	6,356,412	3,834,327
	50,326,288	**41,177,025**

Utility expenses consist of the following:

	2023	2022 As restated
Electricity expenses	18,737,637	19,189,002
Fuel, oil and lubricant expenses	10,254,886	11,174,086
Water expenses	1,277,812	1,096,330
Other utility expenses	561,084	404,200
	30,831,419	**31,863,618**

Training and scholarship expenses for CYs 2023 and 2022 amounted to P16,337,305 and P17,358,083 respectively.

General services consist of the following:

	2023	2022 As restated
Security services	10,001,169	8,973,975
Janitorial services	4,505,409	4,253,677
Other general services	15,258	-
	14,521,836	**13,227,652**

Other MOOE consists of the following:

	2023	2022 As restated
Rent/lease expenses	45,144,443	39,555,593
Advertising, promotional and marketing expenses	9,115,661	9,740,017
Representation expenses	2,823,882	1,852,811
Subscription expenses	587,830	504,862
Transportation and delivery expenses	563,585	413,852
Printing and publications expenses	127,699	147,644
Membership dues and contributions to organization	77,000	26,000
Donations	-	3,330
Other MOOE	3,129,312	3,269,202
	61,569,412	**55,513,311**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Other MOOE account for CY 2022 was restated as follows:

Particulars	**Amount**
Other MOOE, CY 2022	54,930,743
Add/(Deduct): Prior period adjustments *(Note 28)*	
Reclassification of account to Advertising, promotional and marketing expenses	13,877
Payment of Rice subsidy	568,691
Other MOOE, CY 2022, as restated	**55,513,311**

35. FINANCIAL EXPENSES

This account consists of the following:

	2023	2022
Bank charges	33,895	18,175
Interest expenses	9,830	6,631
Other financial charges	153,078	111,774
	196,803	**136,580**

36. NON-CASH EXPENSES

This account consists of the following:

	2023	2022 As restated
Depreciation (*Note 13*)	13,666,337	16,314,110
Amortization (*Note 14*)	635,326	635,326
Impairment loss	499,379	988,330
Losses	-	104,530
	14,801,042	**18,042,296**

In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Depreciation and Amortization accounts for CY 2022 were restated as follows:

Particulars	CY 2022	Prior period adjustments *(Note 28)*	CY 2022 As restated
Depreciation - Land improvements	214,920	-	214,920
Depreciation - Buildings and other structures	516,973	-	516,973
Depreciation - Machinery and equipment	6,711,544	(11,757)	6,699,787
Depreciation - Transportation equipment	6,896,282	112,162	7,008,444
Depreciation - Furniture, fixtures and books	647,754	-	647,754
Depreciation - Leased assets improvements	1,008,206	(35,907)	972,299
Depreciation - Other property, plant and equipment	253,933 -	-	253,933
	16,249,612	**64,498**	**16,314,110**

Particulars	Amount
Amortization, December 31, 2022	618,526
Add/(Deduct): Prior period adjustment *(Note 28)*	
Additional amortization of computer software	16,800
Amortization, CY 2022, as restated	**635,326**

37. NET ASSISTANCE/SUBSIDY

This account represents the share of the NG in the premiums in the form of GPS. Insurance premiums for palay and corn are being shared by the farmers, LIs, and the Government. The premium rating and the corresponding share of the Government were approved by the President of the Philippines.

For the CY 2023, the approved GPS amounted to P4.500 billion representing 100 per cent cost of insurance premiums of farmers and fisherfolk listed under the RSBSA for all the insurance programs of the PCIC under Special Allotment Release Order (SARO) No. SARO-BMB-C-23-0015500 dated March 31, 2023.

Aside from the P4.500 billion approved GPS for farmers and fisherfolk listed under the RSBSA, the PCIC also underwrites P1.797 billion worth of premium production. Below is the breakdown of Insurance premiums – Government share:

	2023	2022
Premiums from GPS for RSBSA listed farmers and fisherfolk	4,500,000,000	4,500,000,000
	4,500,000,000	**4,500,000,000**

38. RELATED PARTY TRANSACTIONS

Below are the key Management personnel compensation for the years ended December 31, 2023 and 2022.

	2023	2022
Post-employment benefits	954,634	666,390
Short-term employee benefits	14,094,610	9,736,189
	15,049,244	10,402,579

The Short-term employee benefits account include salaries and allowances received by the President, Senior Vice President, and Vice Presidents. These also include per diems and allowances received by the members of the BODs for the year.

The Post-employment benefits represent benefits received by the above personnel after their tenure at PCIC. This is the share of PCIC to their Provident Fund contribution.

	2023	2022
I. Basic salary	9,546,341	6,663,896
II. Allowances and other benefits		
PERA/ADCOM	106,903	72,000
Collective negotiation agreement incentives	150,000	75,000
Honoraria	9,000	-
Per diem on board meetings attended	210,000	144,000
Clothing/uniform allowance	24,000	18,000
Dependent's allowance	-	90
Meal allowance	12,912	11,556
Gasoline allowance	255,448	122,819
Medical allowance	14,672	7,500
Representation allowance	515,050	360,000
Transportation allowance	300,891	228,000
Bonus - service recognition incentive	100,000	60,000
Other bonuses and allowances - anniversary bonus	1,410	-
Cash gift	25,000	15,000
Longevity pay	11,268	12,234
Extraordinary and miscellaneous expenses	668,076	483,785
All other allowances and benefits		
1) Rice subsidy	46,952	43,476
2) Performance-based incentive	-	-
3) Performance-based bonus	268,853	149,399
4) Productivity enhancement incentive	25,000	15,000
5) COVID-19 hazard pay	-	-
6) Mid-year bonus	734,323	713,578
7) Year-end bonus	867,693	396,856
8) Cellphone allowance	195,818	144,000
9) Loyalty cash award	5,000	-
Sub-total	4,548,269	3,072,293
Total short-term employee benefits	14,094,610	9,736,189
Indirect benefits		
Provident fund - employer share	954,634	666,390
Total post-employment benefits	954,634	666,390
Total remuneration of key management personnel	15,049,244	10,402,579

39. COMPLIANCE WITH REVENUE REGULATIONS (RR) NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under the PFRSs and such other standards and/or conventions that may heretofore be adopted, in the notes to the financial statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued during the taxable year.

a. The PCIC is a non-Value Added Tax (VAT) entity under Philippine tax laws per RR No. 9-2004. The PCIC is subject to percentage and other taxes (presented as Taxes and Licenses in the SFP). Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. The PCIC was also designated by the BIR as a withholding tax agent under RR No. 17-2003 and RR No. 12-94, as amended.

   In compliance, the PCIC pays the corresponding GRT on all items treated as gross income, and fringe benefit tax (FBT) on the benefits provided to its officers in accordance with the tax law and revenue regulation prescribing FBT. The PCIC withheld corresponding taxes on payments of compensation of employees, fees to directors and cost or purchase price to contractors and suppliers of goods.

b. The documentary stamp taxes paid/accrued during the year totaled P1.593 million.

c. The amount of withholding taxes paid for the year amounted to P36.623 million as follows:

Particulars	Amount
Compensation and benefits	16,984,065
Final withholding taxes	13,544,600
Expanded withholding taxes	4,632,801
Percentage tax	1,461,657
	36,623,123

   Final withholding taxes represent 20 per cent final tax on interest on investments and interest on savings deposits which were deducted and remitted by the bank to the BIR.

d. The Corporation has a pending tax assessment notice from the BIR for the Taxable Year 2013 dated October 23, 2018. According to the BIR assessment, the Corporation's tax remittances did not tally with the tax which should be remitted based on the CY 2013 PCIC's financial statements.

40. STATUS OF LEGAL CASES

In the two cases filed against the PCIC, the Corporation was held liable to pay the plaintiffs sum of money and damages. The judgments in both cases, one in the Supreme Court (SC) and the other in the Court of Appeals (CA), have attained its finality. However, the exact amount the Corporation has to pay the plaintiffs cannot be determined until the execution of judgments, wherein the award plus accumulated interests will have to be computed.

The following are summaries of the two cases:

a. Development Bank of the Philippines (DBP) vs. PCIC and Samahang Kabuhayan ng Iloilo sa Bulak (SKIB), CA G.R. CV No. 05601 (Court of Appeals - Cebu)

   This case involves DBP's claim against PCIC for sum of money with damages. The CA affirmed the decision of the Regional Trial Court (RTC) finding PCIC jointly and solidary liable with the SKIB to pay DBP's claim, in the amount of P1,256,244.44, plus legal interest of six (6) per cent per annum counted from August 31, 1997, until fully paid. The PCIC has not received the Entry of Judgement from the CA, nor any motion for execution from the DBP. The source of payment for this liability is the PCIC Calf Guarantee Fund.

b. Rural Bank of Guimba, Nueva Ecija (RB Guimba) vs. PCIC, G.R. No. 201808 (Supreme Court)

   This case involves RB Guimba's claim against PCIC for sum of money with damages. The SC affirmed the decisions of the RTC and CA finding PCIC liable to pay RB Guimba's claim, in the amount of P4,656,729.85, plus legal interest of six (6) per cent per annum counted from April 17, 2006, until fully paid, and P 200,000.00 as attorney's fee. RB Guimba is currently undergoing receivership/liquidation proceedings by the Philippine Deposit Insurance Corp. (PDIC). PCIC has not received the Entry of Judgement from the SC, nor any notice or motion from PDIC. The source of payment for this liability is the SRTF, funded by BSP and administered by PCIC.

41. COMPLIANCE WITH GSIS, PAG-IBIG AND PHILHEALTH LAWS

In compliance with the requirements of RA No. 8291, the total remittances made by the PCIC to the GSIS for the CY 2023 corresponding to employer's share, employees' shares and employee compensation amounted to P14.985 million, P11.241 million, and P206,607, respectively.

The amount remitted to Pag-IBIG for the CY 2023 corresponding to employer's share and employees' shares (including Job Orders' remittances) amounted to P221,050 and P2.215 million, respectively.

The amount remitted to PhilHealth for the CY 2023 for employer's share and employees' shares (including Job Orders' remittances) amounted to P2.124 million and P5.013 million, respectively.

PART II - OBSERVATIONS AND RECOMMENDATIONS

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation in the financial statements and the verifiability of the balances as at December 31, 2023 of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P51.681 million, P2.865 billion, and P322.336 million, respectively, were not established, due to missing/unavailable supporting documents, inability to regularly monitor the accounts and to maintain the Subsidiary Ledgers (SLs), and incomplete accounting records over the years, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Paragraphs 2.4, 2.13 and 2.30 of the Conceptual Framework for Financial Reporting (CFFR), 2021 edition. Consequently, the following deficiencies were noted in the keeping of the Receivables and Liabilities accounts:

a. **Unreconciled absolute variances between the General Ledger (GL) and SLs of three (3) Receivables and 12 Liabilities accounts in the Head Office (HO) and Regional Offices (ROs) in the amounts of P215.315 million and P44.385 million, respectively;**

b. **Non-maintenance of SLs to support the GL balances of three (3) Receivables accounts in the total amount of P11.148 million and 15 Liabilities-current accounts in the aggregate amount of P128.269 million and one (1) Trust liability – non-current account in the total amount P1.551 million; and**

c. **Unaccounted transactions in three (3) Receivables GL accounts amounting to P1.315 million and 24 Liabilities GL accounts amounting to P7.316 million, net of abnormal (negative) balances.**

1.1. These deficiencies noted on the receivables and liabilities accounts are reiterations with updates of the previous years' audit observations as Management was not able to fully implement the recommendations to address the issues raised in the keeping of the accounts, thus continuously among the basis in the modification of auditor's opinion on the financial statements of the Philippine Crop Insurance Corporation (PCIC).

1.2. Paragraph 15 of PAS 1 (Revised), *Presentation of Financial Statements* - General features on Fair Presentation and compliance with Philippine Financial Reporting Standards (PFRSs), states that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. 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, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). The application of PFRSs, with additional disclosure when*

necessary, is presumed to result in financial statements that achieve a fair presentation.

1.3. Chapter 2 – *Qualitative characteristics of useful financial information* of the CFFR, 2021 edition, provides the following:

2.4. If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable.

2.13. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Xxxx

2.30. Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach concensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.

1.4. The Statement of Financial Position (SFP) as at December 31, 2023 of the PCIC showed the balances of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P51.681 million, P2.865 billion, and P322.336 million, respectively.

1.5. Audit of these accounts revealed deficiencies in the keeping of the records and recording of transactions by the PCIC HO and its ROs, as discussed hereunder.

Unreconciled absolute variances between the GL and SL of three (3) Receivables and 12 Liabilities accounts in the HO and RO Nos. II, III, VI, VII and XI amounting to P215.315 million and P44.385 million, respectively, or a total of P259.700 million

1.6. Comparison of the balances of the GL against SLs of three (3) Receivables and 12 Liabilities accounts disclosed unreconciled absolute variances in the aggregate amounts of P215.315 million and P44.385 million, respectively, as presented in Table 1.

Table 1 – Unreconciled Variances between the Balances of GLs and SLs of Three Receivables and Twelve Liabilities Accounts

Account Name	Offices Involved	GL Balance (a)	SL Balance (b)	Absolute Variance (c=a-b)
Receivables				
1. Other receivables	HO, RO No. III	P 2,560,600	P 3,589,905	P 1,029,305
2. Contributions and premium receivable	RO No. VII	13,633,437	(926,372)	14,559,809
3. Due from Central Office/Head Office	RO No. VII	273,550,888	73,825,200	199,725,688
		289,744,925	**76,488,733**	**215,314,802**
Liabilities				
1. Due to officers and employees	RO No. VII	124,176	2,170,006	2,045,830
2. Due to Bureau of Internal Revenue (BIR)	RO No. II	447,305	217,518	229,787
3. Due to Government Service Insurance System (GSIS)	RO No. VII	248,316	258,585	10,269
4. Due to Home Development Mutual Fund (Pag-IBIG)	RO No. VII	557	5,851	5,294
5. Due to other funds	RO No. III	478,791	16,630	462,161
6. Trust liabilities	RO No. III	2,120,815,376	2,111,819,966	8,995,410
7. Due to regional/branch offices	HO	1,515,401,300	1,516,452,655	1,051,355
8. Other deferred credits	RO Nos. VI, XI	13,979,906	3,735,837	10,244,069
9. Other provisions	RO No. VI	93,604	164,397	70,793
10. Other payables	RO No. VI	190,846,560	184,303,809	6,542,751
11. Leave benefits payable	RO No. VII	2,837,473	2,626,128	211,345
12. Accrued benefits payable	RO No. XI	22,038,678	7,523,016	14,515,662
		3,867,312,042	**3,829,294,398**	**44,384,726**
		P 4,157,056,967	**P 3,905,783,131**	**P 259,699,528**

1.7. As noted in the prior years' audit, the variances between the balances in the GL and SLs were due to inaccurate carried forward beginning balances from prior years.

Non-maintenance of SLs to support the GL balances of three (3) Receivable current and non-current accounts in the total amount of P11.148 million and 15 Liabilities-current account in the aggregate amount of P128.269 million and one (1) Liabilities-non-current in the total amount P1.551 million

1.8. The SL is a book of final entries containing the details or breakdown of the balance of the controlling account appearing in the GL. The entries in the SLs are more specific about the accounts' transactions which come from the source documents, such as, the disbursement vouchers (DVs) and journal entry vouchers (JEVs) and their supporting documents.

1.9. Sections 111 and 114 of Presidential Decree (PD) No. 1445 provide as follows:

> *Section 111. 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.*

Section 114. The general ledger.

(1) The government accounting system shall be on a double entry basis with a general ledger in which all financial transactions are recorded.

(2) Subsidiary records shall be kept where necessary.

1.10. Likewise, Item C of Appendix 5 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, requires that, "*xxx. The totals of the SL balances shall be reconciled with the corresponding GL controlling account.*"

1.11. It has been noted that in the early months of Calendar Year (CY) 2023, the Planning and Management Information Office (PMIO) developed the module within the PCIC Financial Management System (PFMS) to integrate the generation of SLs. It is commendable to highlight the collaboration between the PMIO and the Finance Department in the HO in enhancing the module of the PFMS for the integration of the SLs.

1.12. The integration of the SLs into the PFMS module reflects a positive step towards enhancing transparency and accuracy in financial recording and reporting. It serves as a crucial factor in ensuring the effective monitoring of recorded transactions, correctness and reliability of the account balances and financial reports. The maintenance of SLs allows the tracking of the details of transactions within the control account.

1.13. In the HO, this integration resulted in complete provision of the SLs for Receivables accounts and partial generation for the Liabilities accounts. However, verification of the Receivables-current and non-current accounts (net) as at year end revealed that in RO Nos. V, VI, VIII and XI, three (3) GL accounts with total balance of P11.148 million were not supported with SLs, as shown in Table 2.

Table 2 – Receivables-current and non-current Accounts without SLs

Account Name	Offices Involved	Amount
Due from officers and employees	RO No. XI	P 5,024
Guarantee receivables	RO Nos. V and VI	9,935,894
Other receivables	RO No. VIII	1,206,989
		P 11,147,907

1.14. Likewise, verification also disclosed that as at year-end, 15 GL accounts in Liabilities-current and one (1) GL account in Liabilities-non-current in the HO and RO Nos. II, III, IV, VI, XI and XII, with aggregate amount of P129.821 million, were not supported with SLs, as summarized in Table 3.

Table 3 – Liabilities Accounts without SLs

Account Name	Offices Involved	Amount
Current:		
Financial liabilities - current		
1. Accounts payable	RO No. XI	P 1,777,129
2. Due to officers and employees	HO, RO No. XI	531,949
3. Accrued death benefits payables	RO No. II	90,000
4. Operating lease payable	RO No. II	422,290
Inter-agency Payables - current		
5. Due to BIR	HO, RO Nos. II, III, XI, XII	1,719,797
6. Due to local government units (LGUs)	HO	368,391
7. Due to Philippine Health Insurance Corporation (PhilHealth)	HO, RO Nos. III, XII	153,334
8. Due to Pag-IBIG	HO, RO Nos. III, XII	72,066
9. Due to GSIS	HO, RO Nos. III, XI, XII	453,883
10. Due to Social Security System (SSS)	HO	17,535
Deferred credits		
11. Other deferred credits	RO Nos. III, VI	849,386
Provisions		
12. Other provisions	RO Nos. XI, XII	41,824
13. Leave benefits payable	RO No. XI	6,096,504
Other payables-current		
14. Return premiums payable	RO No. VI	128,670
15. Other payables	HO, RO Nos. II, IV, XI, XII	115,546,739
		P 128,269,497
Non-Current:		
1. Trust liabilities	RO Nos. II, IV, VI, XI, XII	P 1,551,234
		1,551,234
		P 129,820,731

1.15. The difficulty in preparing the SLs by the HO and Administrative and Finance Division (AFD) in the ROs could be attributed to, among others, unavailable/missing supporting documents and inability to regularly monitor the accounts transactions and maintain the SLs over the years.

Unaccounted transactions in three (3) Receivables GL accounts amounting to P1.315 million and 24 Liabilities GL accounts amounting to P7.316 million, net of abnormal (negative) balances

1.16. In the integration of SLs into the PFMS module, there were concerns regarding the completeness and granularity of the details thereon.

1.17. Based on the submitted SLs for Receivables and Liabilities accounts in the HO, it was observed that a specific SL code 50094 labeled as "Others" did not contain the necessary details of the SL as prescribed in Appendix 6 of the GAM, Volume II. This SL code was used as repository for any transactions and balances that could not be accounted for.

1.18. Significant portion of the balances of identified GL accounts were recorded in this SL code, with no details as to date, particulars and reference. The GL accounts of Receivables and Liabilities accounts with SL code 50094

"Others" or "Various", aggregating P1.315 million and P7.316 million, respectively, for the HO, RO Nos. VI and VII, are presented in Table 4.

Table 4 – GLs of Receivable and Payable accounts containing SL – "Others"

Account Name	Offices Involved	SL Code	Amount
Receivables			
1. Due from NGAs	HO	50094-Others	P 1,288,925
2. Due from officers and employees	HO	50094-Others	16,172
3. Other receivables	VII	Various Farmers	9,773
			P 1,314,870
Liabilities			
1. Other payables	RO Nos. VI, VII	Various, Others	P 5,062,575
2. Guaranty/security deposit payable	HO	50094-Others	1,310,389
3. Leave benefits payable	HO	50094-Others	918,071
4. Other provisions – provident fund – contribution – EE	HO	50094-Others	92,958
5. Due to GSIS – life and retirement premium – ER	HO	50094-Others	65,800
6. Other provisions – provident fund	HO	50094-Others	53,311
7. Due to BIR – withholding tax – percentage (1600)	HO	50094-Others	26,542
8. Due to PhilHealth – contribution -EE	HO	50094-Others	15,515
9. Other provisions – provident fund – loans - flexi	HO	50094-Others	3,261
10. Due to GSIS – loans – ECC*	HO	50094-Others	1,897
11. Due to Philhealth - contribution	HO	50094-Others	534
12. Due to Pag-Ibig – contribution - ER	HO	50094-Others	(100)
13. Other Provisions – provident fund – loans – NBCA**	HO	50094-Others	(833)
14. Other Provisions – provident fund – contribution - ER	HO	50094-Others	(1,088)
15. Due to SSS – job order	HO	50094-Others	(1,275)
16. Due to GSIS – loans - emergency	HO	50094-Others	(1,311)
17. Due to GSIS – loans - policy	HO	50094-Others	(2,550)
18. Other provisions – provident fund – loans - emergency	HO	50094-Others	(4,523)
19. Due to Pag-IBIG – loans – multi purpose	HO	50094-Others	(15,077)
20. Due to GSIS – life and retirement premium – EE	HO	50094-Others	(65,849)
21. Due to BIR – withholding tax – expanded (1601E)	HO	50094-Others	(143,158)
22. Due to GSIS – loans – consolidated	HO	50094-Others	(159,988)
23. Due to BIR – withholding tax – compensation (1601C)	HO	50094-Others	(382,699)
24. Accrued benefits payable	RO No. VII	Various	(14,087,960)
			P 7,315,558

* ECC – Employees Compensation Commission   **NBCA – Noche Buena Cash Advance

1.19. Further, review of the Due from NGAs account in the HO account revealed that the SLs were prepared per employee instead of concerned NGAs. Based on the recorded transactions in the SLs, Due from NGAs account is debited to record replenishments of their Philippine Airlines (PAL) and Cebu Pacific (CEBPAC) Funds in Procurement Service – Philippine Government Electronic Procurement System (PhilGEPS) under the Government Fare Agreements entered by Department of Budget and Management (DBM), PAL and CEBPAC. Similarly, this account is credited for any utilization of the PAL or CEBPAC fund by the PCIC employees for their domestic travels. However, the SLs of "Due from NGAs" account were structured per employee, depending on who utilized the fund. This is a potential limitation in monitoring and tracking the efficiency of fund utilization.

1.20. The lack of integral information defeated the purpose of maintaining the SLs. Management could not supply the details due to non-availability of records and supporting documents, thus the 27 GL accounts presented in Table 4 remained unaccounted for, thus unreconciled as at end of the year. The Audit Team in the HO could not perform other alternative procedures to verify the correctness of the 27 GL accounts balances with SL code "Others".

1.21. In view of the unreconciled absolute variances between the GL and SLs of three (3) Receivables and 12 Liabilities accounts, non-maintenance of SLs to support the GL balances of three (3) current and non-current Receivables and 15 Liabilities-current account, and Unaccounted transactions without any details and labeled as "Others" or "Various", the faithful representation in the financial statements and the verifiability of the balances as at December 31, 2023 of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P51.681 million, P2.865 billion and P322.336 million, respectively, were not established, contrary to Paragraph 15 of the PAS 1 and Paragraphs 2.4, 2.13 and 2.30 of the CFFR.

1.22. **We reiterated our previous years' audit recommendations that Management direct the Acting Finance Manager and the Regional Managers to instruct the Accounting Division in HO and the AFD in ROs to:**

a. **Religiously maintain/update complete SLs and schedules to support the balances of the GL controlling accounts and reconcile the schedules with the balances per GLs and SLs; and**

b. **Verify/analyze immediately the variances by examining records and source documents as basis for appropriate adjustments, for fair presentation of the Receivables and Liabilities accounts in the financial statements.**

1.23. **We also recommended that Management require the:**

a. **PMIO and Accounting Division in the HO to coordinate in further enhancing the module of SL integration in the PFMS to ensure that the financial transactions are accurately recorded in the SLs with required details and balances which shall be reconciled with the corresponding GL accounts every reporting period; and**

b. **Finance Department in the HO and AFD in the ROs to:**

b.1. **Effect the necessary adjustments in the accounting records to correct the variances in affected GL and SL balances; and**

b.2. Exert utmost effort to account for the balances in the SLs recorded as "Others" in the Receivables and Liabilities accounts amounting to P1.315 million and P7.316 million, respectively, including the SLs on "Receivables-Disallowances/Charges" and "Miscellaneous", by tracing the transactions from available old records to establish the details of unaccounted/unsubstantiated account balances.

1.24. The PCIC Management at the HO agreed to comply with the audit recommendations. They also committed that the PMIO - Information Technology (IT) Group and the Accounting Division will coordinate in enhancing further the SL module in the PFMS.

Other Observations:

Existence of abnormal/negative balances in the total amounts of P3,419 and P1.113 million in Receivables and Liabilities accounts, respectively

1.25. Review of the balances in GL accounts as at December 31, 2023 revealed that one Receivable account in RO No. III and 16 Liabilities accounts in the HO and RO Nos. VIII and XII have abnormal/negative balances, as shown in Table 5.

Table 5 – Receivables and Liabilities Accounts with Abnormal Balances

Account Name	Office/s Involved	With Abnormal Balances
Receivables		
1. Other receivables – miscellaneous	RO No. III	P (3,419)
		P (3,419)
Liabilities		
1. Trust liabilities - livestock	RO No. XII	P (322,500)
2. Due to GSIS – life & retirement premium	HO	(269,952)
3. Other provisions – provident fund – contributions	HO	(230,720)
4. Due to GSIS – loans – consolidated	HO	(127,640)
5. Due to BIR – withholding tax – expanded (1601E)	HO	(86,365)
6. Due to Pag-IBIG – loans – multi purpose	HO	(30,120)
7. Due to PhilHealth – contribution	HO	(24,132)
8. Trust liabilities - credit and life term – APPP*	RO Nos. VIII, XII	(13,974)
9. Other provisions – provident fund – loans – emergency loan	HO	(4,523)
10. Other payables – employee association	HO	(1,055)
11. Other provisions – provident fund – loans –NBCA	HO	(833)
12. Due to GSIS – loans – policy	HO	(600)
13. Due to GSIS – loans – optional insurance loans	HO	(365)
14. Due to Pag-IBIG – contribution – Employer (ER)	HO	(200)
15. Due to Pag-IBIG – contribution – Employee (EE)	HO	(100)
16. Due to other funds	HO	(0.20)
		P (1,113,079.20)

**APPP – Agricultural Producer Protection Plan*

1.26. These negative balances were caused by the accumulation of unreconciled transactions through the years. Verification of the GLs, JEVs and supporting documents revealed that most of the abnormal/negative balances in the HO were due to the unadjusted/unreconciled balances from prior years on Due to BIR, GSIS loans and Pag-IBIG loans and other liability accounts indicating errors in recording of transactions to the proper accounts, such as in loan amortizations and contributions, set-up of liability and over-remittances.

1.27. The increase in abnormal/negative balances from P436,779 in CY 2022 to P1.116 million [P3,419 + P1,113,079] in CY 2023 was caused by the erroneous entry in the HO per JEV No. 2023-12-130 in the debit of the Due to GSIS - life and retirement premium, Due to PhilHealth - contribution, and Other provision - Provident fund amounting to P276,872, P24,666, and P230,727, respectively, or total of P532,265 to record the Employer's Share contribution of the additional compensation and position classification system differential for the period October 21, 2021 to December 31, 2023.

1.28. Interview with the Accounting Division, Finance Department revealed that the debit entry should have been recorded to the equivalent expense account for Retirement and life insurance premium, PhilHealth contributions and Provident/welfare fund contributions, respectively, as it represents contributions for Employer's Share for GSIS, PhilHealth and Provident fund. As such, the affected accounts were understated as shown in Table 6.

Table 6 – Understatement of Liability and Expense Accounts

Account Name	Code	Class	Amount Understated
Due to GSIS - life and retirement premium	20201020-01-01	Liability	P 276,872
Due to PhilHealth – contribution	20201040-01-01	Liability	24,666
Other provision - provident fund	20601990-01-01-01	Liability	230,727
Total			**P 532,265**
Retirement & life insurance premium	50103010	Expense	P 276,872
PhilHealth contributions	50103030	Expense	24,666
Provident/welfare fund contributions	50103050	Expense	230,727
Total			**P 532,265**

1.29. **We reiterated our previous years' audit recommendation that Management direct the Acting Finance Manager and the Regional Managers concerned to instruct the Accounting Division in HO and the AFD in RO Nos. III and VIII to exert utmost efforts to trace prior years' accounting entries which caused the abnormal/negative balances on the Receivables and Liabilities accounts and make the necessary adjustments thereon.**

1.30. **We also recommended that Management require the Finance Department in the HO to:**

a. **Evaluate the SL per employee maintained for the Due from NGAs account to address the possible limitation in monitoring and tracking of utilization of fund per NGA; and**

b. **Adjust the understatement of Due to GSIS - Life and Retirement Premium, Due to PhilHealth - Contribution, and Other Provision - Provident Fund and affected expense accounts due to erroneous entry in JEV No. 2023-12-130.**

1.31. Management of the HO and concerned ROs committed to comply with the audit recommendations. Likewise, the erroneous entry in JEV No. 2023-12-130 was adjusted through JEV No. 2024-04-70 dated April 30, 2024.

Dormant receivables in the aggregate amount of P119.720 million remained in the books of HO and RO Nos. I, II, III, III-A, IV, V, VI, VII, VIII, IX, X and XII for more than 10 years due to the absence of supporting documents

1.32. COA Circular No. 2023-008 dated August 17, 2023 prescribes the "*Guidelines on the Proper Disposition of Dormant Accounts of National Government Agencies (NGAs) and Instrumentalities, Local Government Units (LGUs) and Government Corporations (GCs), Amending COA Circular No. 2016-005 dated December 19, 2016 re: Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of NGAs, Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs).*"

1.33. One of the purposes of the issuance of the COA Circular is to fast track the cleansing of dormant accounts of government agencies for the fair presentation of accounts in the financial statements. However, the procedures in the Circular could not be used to further derecognize subsequent dormant accounts, as it can only be used for one-time cleansing of all dormant accounts covered thereon.

1.34. Further, the procedures for the proper disposition and derecognition of dormant accounts are enumerated under Items 7.0 and 8.0, which requires the Head of Accounting Unit and Head of the Agency (HoA) to perform specific activities. Specifically, Item 8.2 of the said COA Circular prescribed that:

> *Within one (1) year from the effectivity of the Circular, the Head of Accounting Unit through the HoA shall file with/through the ATL* [Audit Team Leader] *and/or RSA/SA* [Regional Supervising Auditor/Supervising Auditor], *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 provision of this Circular.*

The request shall be supported with the documents listed in Annex 8, provided with index tabs, for easy reference.

1.35. As noted in prior years, review of the Aging of Receivables in the HO and ROs revealed that accounts in the total amount of P119.720 million, have been dormant for more than 10 years. Reports from the HO and ROs disclosed that collection of these Receivables accounts could not be enforced due to the absence of supporting documents. Moreover, according to Management, the request for write-off of the dormant accounts could not be facilitated in view of the status of Receivables accounts, as summarized in Table 7.

Table 7 - Status of Dormant Receivable Accounts

Office	Balance (in Millions)	Status
HO	P 10.183	Aged 11 to more than 20 years. Receivables from disallowances/charges consist of disallowances of resigned, retired/or deceased PCIC officials and employees, and Other receivables.
RO No. I	11.874	Aged more than 10 years. The balances remained dormant due to non-availability of supporting documents and the absence of updated information on collections.
RO No. II	4.730	Aged more than 20 years. Request for write-off could not be pursued due to difficulty in completing the required documents.
RO No. III	15.319	Aged more than 10 years. The balances remained dormant as of year-end despite the repeated sending of demand letters in CYs 2016, 2017, December 15, 2021, and April 29, 2022. The receivables remained uncollected as demand letters were returned to PCIC RO No. III due to unlocated addressees.
RO No. III-A	33.862	Aged 10 to more than 40 years. P33.735 million pertains to receivables originating from PCIC HO that were transferred to RO No. III-A to facilitate collection. The only document RO No. III-A has is the Aging Reports/Schedules. The amount of P0.127 million pertains to receivables that were miscalculated overpayments
RO No. IV	6.355	Aged more than 20 years. Management sent letters to concerned parties requesting remittance of collections, if any, and/or provision of proof/evidences of the action/s taken, relative to non-collection/dormancy or other action taken on the subject accounts. Such effort/measure resulted in the collection of receivables in the amount of P75,930.52 in February 2023.
RO No. V	5.419	Aged more than 30 years. Dormant due to non-availability of documents. Cooperatives have already been delisted by the Cooperative Development Authority (CDA). Rural banks under receivership of the Philippine Deposit Insurance Corporation (PDIC) and addresses of individual farmers could no longer be located/found.
RO No. VI	9.123	Aged more than 20 years. These are Guarantee Receivables – Comprehensive Agrarian Loan Fund (CALF) and Guarantee Receivables Special Time Deposit (STD) Claims that have remained non-moving and uncollected.
RO No. VII	6.644	Aged more than 20 years. Management is having a hard time to secure the documents in support for the request for write-off considering the age of the

Office	Balance (in Millions)	Status
		documents. Several demand letters were sent to Rural Banks and Cooperatives of which some were already closed.
RO No. VIII	1.450	Aged more than 11 years. Records or documents to validate or support the claims are not available.
RO No. IX	2.840	Aged more than 30 years. A request for write-off was submitted by Management to the Audit Team, however it was returned to them to comply with the requirements under COA Circular No. 2023-008 dated August 17, 2023. Currently, the Investigation Committee is finalizing the report.
RO No. X	5.458	Aged more than 30 years. Relative to the balance of dormant account in CY 2022 of P5.458 million, Management submitted documents for write-off of dormant accounts dated November 28, 2023, awaiting decision.
RO No. XII	6.463	Aged more than 30 years. Request for write-off was not performed due to inability to comply with the required documents of COA. Management is to submit a request letter to the CDA in order to confirm the existence of the involved Cooperatives.
Total	**P119.720**	

1.36. **We reiterated our previous years' audit recommendations that Management direct the Acting Finance Manager and the Regional Managers concerned to instruct the Accounting Division in HO and the AFD in RO Nos. I, II, III, III-A, IV, V, VI, VII, VIII, IX, X and XII to:**

a. Intensify collection efforts on all outstanding receivables by regularly sending demand letters to all debtors/clients;

b. File request for write-off of dormant receivables aged 10 years or more which collectability is already remote or nil, following the procedures under COA Circular No. 2023-008; and

c. Obtain the written confirmation on closed Lending Institutions (LIs) and cooperatives from the PDIC and CDA, respectively, as additional documents of repeated demand letters sent by the PCIC without responses from various LIs and cooperatives to support the request for write-off of dormant Receivables accounts, if warranted.

1.37. The following are the comments of the PCIC Management:

a. In HO, Management agreed to comply with the audit recommendations to intensify collection efforts to collect the outstanding receivables through issuance of demand letters to all debtors and file the request for write-off of dormant receivables outstanding in the books for 10 years or more in accordance with the procedures outlined in COA Circular. They committed to ensure that all required documentation and justifications are prepared to support the write-off.

b. In RO No. III, Management explained that despite their efforts in sending demand letters repeatedly, they have not received any response.

c. In RO No. III-A, Management informed that they have been coordinating with Finance Department at the PCIC HO for the transfer of relevant documents. They were informed that there were no such documents in their custody. They also mentioned retrieval of SLs, Memorandum of Agreements and other documents have been made, however these could no longer be located. Also, upon checking from the personnel in charge with the liquidation of closed banks at the PDIC, most of the LIs were already closed. Moreover, they committed to submit to the COA Audit Team the request for authority to write-off from the books the long outstanding Accounts receivable.

d. In RO No. V, Management justified that they had exerted efforts to locate the required documents for write-off, but some of the LIs were already closed or had ceased operations. These LIs have already written off their accounts with the PDIC, thus the documents have been archived or lost. These accounts have been dormant since 1984, roughly 40 years ago. They expressed their intention to avail of the proper disposition of dormant accounts or the one-time cleansing for Guarantee Receivable for CALF, Banks and STD Claims, embodied in COA Circular No. 2023-008.

e. In RO No. VI, Management informed that they have already submitted a request for write-off and will coordinate with their resident auditor regarding the status.

f. In RO No. VIII, Management explained that they are currently in the process of gathering the relevant documents required in the filing of the request for write-off of dormant accounts. Once completed, they will file the request the soonest time possible.

1.38. The following are the audit rejoinders:

a. The Audit Team in the HO emphasized the importance in establishing the details of the dormant receivables, such as the accountable officer (AO)/personnel responsible for handling the particular account, as basis for demand to execute the certificate of justification as to why the supporting documents are not available in his/her office or in any other office, as well as narration of/documentation of all the efforts exerted by Management to locate the documents. Thus, in case of retirement, death or separation from service of the AO, the current AO shall execute the required certificate of justification under COA Circular No. 2023-008 and its Annexes. It is also emphasized in COA Circular No. 2023-008 the monitoring and reporting of dormant accounts, including the disclosure of comparative information in the Notes to Financial Statements, and under Item 11.0 *Saving Clause*, as follows:

This Circular shall not be interpreted to condone the accounts written-off not to extinguish the obligations. The Management shall continue to exert extra effort to collect the accounts appearing in the [Registry of Accounts Written Off] *RAWO or* [Request for Disposition of Dormant Accounts] *RDDA when circumstances warrant. Further, this shall not be construed as a ground to exonerate from liability the officers/employees for infidelity in the custody of documents.*

b. The Audit Team in RO No. III-A will monitor the submission of the request for write-off by Management, for their further review and evaluation on the compliance with the requirements prescribed under COA Circular No. 2023-008.

2. Errors in the reversion of unreleased checks amounting to P15.697 million in RO Nos. XI and XII despite the release of checks to payees at year-end and non-reversion of unreleased checks in the aggregate amount of P349,200 to the Cash in Bank account at year-end in RO Nos. III-A and V resulted in the net overstatement of the Cash and cash equivalents account by P15.348 million and corresponding liability account by the same amount, contrary to Paragraph 15 of PAS 1 and Paragraphs 2.4 and 2.13 of the CFFR, 2021 edition.

2.1. The deficiencies noted on the Cash in bank account are reiterations with updates of the previous years' audit observations as Management was not able to fully implement the recommendations to address the issues raised on the said account.

2.2. Paragraph 1.2 hereof, discusses Paragraph 15 of PAS 1, which requires that financial statements present fairly the financial position, financial performance, and cash flows of an entity.

2.3. Likewise, Paragraph 1.3 hereof states the Qualitative characteristics of useful financial information under Paragraphs 2.4 and 2.13 of the CFFR, 2021 edition. For financial information to be useful, it must be relevant and faithfully represent what it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.

2.4. Section 44, Chapter 6 and Section 56, Chapter 19 of the GAM for NGAs, Volume I, viz.:

Section 44, Chapter 6 – Disbursements:

Xxxx

A stale, voided or spoiled check shall be marked cancelled on its face and reported as follows:

a. *Voided, spoiled or unclaimed stale checks with the Cashier shall be reported as cancelled in the List of Unreleased Checks that will be attached to the RCI [Report of Checks Issued].*

b. *Xxx. A JEV shall be prepared to take up the cancellation. The replacement check shall be reported in the RCI.*

Section 56, Chapter 19 – Financial Reporting:

Xxx All unreleased checks at the end of the year shall be reverted back to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. The accounting entry for the restoration of the unreleased check to the cash account shall be a debit to Cash in Bank, [Local Currency – Current Account] LCCA with credit to the appropriate liability account. There shall be no physical cancellation of the checks. Xxx

Erroneous reversion to the Cash in bank account of the checks already released to the payees at year end amounting to P15.697 million in RO Nos. XI and XII, and non-reversion of unreleased checks in RO Nos. III-A and V in the amount of P349,200

2.5. Released checks are considered as already paid to the supplier, thus, it is appropriate that the Cash in bank account be credited for checks drawn against the account or debit advice/memos received from the Authorized Government Depository Banks (AGDBs). In the preparation of the Bank Reconciliation Statement (BRS), GAM, Volume I, provides the procedures, among others, that the outstanding checks shall be deducted from the unadjusted balance per bank to come up with the reconciled balances of the cash in bank per books of accounts and the cash in bank per bank. It is emphasized that only the unreleased checks are to be restored in the cash balance at year end based on the report provided by the cashier.

2.6. In CY 2023, Management in RO Nos. III-A, V, XI and XII had not fully complied with the audit recommendation in prior year's audit on the reversion of unreleased checks as at end of year to the Cash in bank account in the aggregate amount of P349,200. Likewise, errors were noted in the reversion of unreleased checks amounting to P15.697 million, as shown in Table 8 and discussed in the preceding paragraphs.

Table 8 – Net Overstatement of Cash in Bank Account

RO No.	Error in Reversion: No. of Checks/ Cash Cards	Error in Reversion: Amount of Overstatement	Non-reversion: No. of Checks	Non-reversion: Amount of Understatement	Net Overstatement
III-A	-	P -	3	P 65,384	P (65,384)
V	-	-	35	283,816	(283,816)
XI	2,651	15,639,655	-	-	15,639,655
XII	14	57,678	-	-	57,678
	2,665	P 15,697,333	38	P 349,200	P 15,348,133

2.7. In RO No. III-A, a total of 115 checks were unreleased amounting to P1.363 million at year end. However, as per JEV Nos. 2023-12-40 and 2023-12-41, only 112 checks were reverted to the Cash in bank account in the amount of P1.298 million or a net understatement of the Cash in bank account in the amount of P65,384.

2.8. In RO No. V, JEV No. 2023-12-86 was prepared to record the reversal of 902 checks amounting to P6.194 million. However, 35 unreleased checks amounting to P283,816 under the claims fund were not included in the reversal.

2.9. In RO No. XI, verification of the BRS and Report of Unreleased Checks Issued disclosed that the total unreleased checks amounted to P4.745 million. However, based on the adjustment made in JEV No. 2023-12-91 dated December 31, 2023 to revert back the unreleased checks to the Cash in bank account, the concerned AFD personnel admitted that she erroneously reverted the total amount of checks which were not reflected in the bank account as debit. Thus, the debit to the Cash in bank – Local Currency Current accounts for General and Administrative Fund and Claims Fund amounting to P195,069 and P20.190 million, respectively, or a total of P20.385 million and corresponding credit to the related liability account equivalent to the same amount included both the unreleased checks and checks already released to payees but not yet presented to the bank for payment, resulting in the overstatement of the Cash in bank account by P15.640 million [P20,384,806 - P4,745,151] and corresponding liability accounts by the same amount.

2.10. In RO No. XII, the AFD staff explained that the amount of P27.984 million was reverted to Cash in bank account per JEV No. 2023-12-40 dated December 31, 2023. This amount was based on the confirmation from various PCIC Extension Offices (PEOs) who were in custody of the checks for distribution. However, the final amount of unreleased checks in the Report of Unclaimed Checks and Cash Cards was P27.926 million, of which P27.725 million pertained to unreleased checks while P201,230 pertained to unclaimed cash cards. They further clarified that the difference between the amount reverted and the reported unclaimed checks and cash cards at year-end amounting to P57,678 pertained to cash cards that have already been claimed but were inadvertently included in the amount reverted. Hence, the Cash in bank was overstated by P57,678.

2.11. In view of the above deficiencies, the balance of the Cash in bank account as at December 31, 2023 was net overstated by P15.348 million, see Table 8.

Other observation:

In RO Nos. I, III, III-A, IV, V, VI, VII, VIII, IX, X, XI and XII, there were 88,682 undistributed/unreleased checks at year-end in the total amount of P434.083 million, representing indemnity claims of farmers and fisherfolk

2.12. Based on accounting records, reports and documents, there were 88,682 undistributed checks in the aggregate amount of P434.083 million at year-end in RO Nos. I, III, III-A, IV, V, VI, VII, VIII, IX, X, XI and XII, as shown in Table 9.

Table 9 – Undistributed/Unreleased Checks
As of December 31, 2023

RO No.	Undistributed Checks Reported by ROs		Errors in Reversion of Checks		Undistributed Checks at year-end	
	No. of Checks	Amount	No. of Checks	Amount	No. of Checks	Amount
I	9,004	P 56,671,641	-	P -	9,004	P 56,671,641
III	986	9,390,554	-	-	986	9,390,554
III-A	115	1,363,618	-	-	115	1,363,618
IV	2,045	24,305,473	-	-	2,045	24,305,473
V	937	6,477,809	-	-	937	6,477,809
VI	26,976	119,156,677	-	-	26,976	119,156,677
VII	7,198	49,305,786	-	-	7,198	49,305,786
VIII	10,038	30,442,573	-	-	10,038	30,442,573
IX	11,496	40,818,204	-	-	11,496	40,818,204
X	11,468	63,680,483	-	-	11,468	63,680,483
XI	3,573	20,384,805	2,651	15,639,655	922	4,745,150
XII	7,497	27,725,454	-	-	7,497	27,725,454
Total	**91,333**	**P 449,723,077**	**2,651**	**P 15,639,655**	**88,682**	**P 434,083,422**

2.13. The huge quantity of undistributed checks as at year-end representing indemnity claims of farmers and fisherfolk totaling 88,682 [91,333 – 2,651] had been attributed, among others, to miscommunications concerning the schedules in the release of insurance claims and the non-appearance of payees to claim their checks during the scheduled date of distribution at the designated locations, i.e. barangays or municipality.

2.14. The delay in the distribution of checks to farmers and fisherfolk beneficiaries could hamper their rehabilitation activities on the damages and recovery of any losses arising from natural calamities, plant pests and diseases, and/or other perils. This elevates the risk in decrease in agricultural-related output and production targets by the affected farmers and fisherfolk.

2.15. **We reiterated our previous years' recommendations that Management direct the:**

   a. **Regional Managers of RO Nos. III-A and V to instruct the AFD to adhere strictly to the relevant guidelines on financial reporting of unreleased and stale checks prescribed in the GAM, Volume I and prepare the necessary adjusting entries at the end of each year to revert the unreleased checks and stale checks to fairly present the Cash and cash equivalents account and corresponding liability accounts in the financial statements; and**

   b. **Department Manager of the PCIC Business Development and Marketing Department in coordination with the Head of Risk Management Office and Regional Managers to formulate concrete strategies to address the issues and concerns on the distribution of indemnity claim checks to ensure that the objective on speedy/timely assistance through the benefits from agricultural insurance as intervention measures provided by the PCIC to the beneficiary-farmers and fisherfolk are met and to minimize the accumulation of unreleased checks.**

2.16. **We also recommended that Management instruct the Regional Managers in RO Nos. XI and XII to perform the judicious review of reports and proposed journal entries and its supporting documents prior to approval, and require the AFD to:**

   a. **Prepare the adjusting entries to restate the correct balance of the Cash in bank and Payable accounts; and**

   b. **Henceforth, perform proper review and monitoring of the journal entries, its supporting documents and related reports prepared by the AFD staff.**

2.17. During the exit conference held on May 28, 2024 at the PCIC HO, the Accounting Division of Finance Department explained that they submitted all the adjusting entries recorded at the PCIC HO and all ROs to revert the unreleased and stale checks at year-end.

2.18. As an audit rejoinder, validation of the Audit Team at the HO disclosed that there were checks that were not included in the adjustments made. Likewise, the adjusting entries submitted by the Accounting Division included the erroneous JEV prepared by RO No. XI, as discussed in Paragraph 2.9. The Audit Teams will continuously monitor the full implementation by the PCIC of the audit recommendations.

3. **The fair presentation of the balance of the Property, Plant and Equipment (PPE) account in the financial statements as at December 31, 2023 in the carrying amount of P109.259 million was not established due to variances in: (a) absolute amount of P7.776 million between the balances in the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and in**

the accounting records of the HO and RO Nos. III and VI; and (b) absolute amount of P3.651 million and P3.190 million in the acquisition cost and Accumulated depreciation, respectively, and variance of P208,124 in the Depreciation expense between the books of accounts and the Lapsing Schedule in the HO, contrary to Paragraph 15 of PAS 1 and Paragraphs 2.4, 2.13 and 2.30 of the CFFR, 2021 edition.

3.1. This is a reiteration with updates of the previous years' audit observations as the PCIC Management was not able to fully implement the recommendations to address the deficiencies noted on the PPE account.

3.2. The provisions of Paragraph 15 of PAS 1 and Paragraphs 2.4, 2.13 and 2.30 of Chapter 2 – *Qualitative characteristics of useful financial information* of the CFFR, 2021 edition are stated in Paragraphs 1.2 and 1.3 hereof.

3.3. The maintenance of records, such as the PPE Ledger Cards (PPELCs) and Property Cards (PCs), timely conduct of annual physical inventory and reconciliation of the RPCPPE with records of the Accounting and Property Divisions/Units of the agency are among the necessary internal control activities to ensure the existence of the PPE items, completeness and accuracy of records and regular monitoring/updating/reconciliation thereof to establish the correctness of the PPE account balance.

3.4. The PPE account as at December 31, 2023 had a carrying amount of P109.259 million, the composition of which are the cost of P215.926 million and accumulated depreciation of P106.667 million. Audit of the account disclosed deficiencies as discussed hereunder.

Variance in the absolute amount of P7.776 million between the balances in the RPCPPE and accounting records of the HO and RO Nos. III and VI

3.5. Paragraph 5.12 of COA Circular No. 2020-006 dated January 31, 2020, provides that:

> *Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs.*

3.6. Comparison between the Accounting records and the RPCPPE in HO and RO Nos. III and VI disclosed variances in the PPE account in the absolute amount of P7.776 million, as presented in Table 10.

Table 10 – Variance between the PPE Account Balances per Books and RPCPPE

Office	Per Books	RPCPPE	Variance
HO	P 31,498,055	P 30,362,896	P 1,135,159
RO No. III	10,869,599	7,479,690	3,389,909
RO No. VI	16,161,184	12,910,183	3,251,001
	P 58,528,838	**P 50,752,769**	**P 7,776,069**

3.7. The variances have been attributed to the misclassification and unaccounted PPE items. Some of these items could still be recorded in the books but could not be accounted for due to the absence of accounting and property records, such as the PPELCs and PCs and supporting documents. Likewise, existence thereof have not been established during the inventory, thus not included in the RPCPPE, or found during the inventory but not recorded in the books.

3.8. In the HO, the Property Management and General Services Division (PMGSD) mentioned that a reconciliation with the Accounting Division was performed, but the report on result of reconciliation was not submitted to the Audit Team for validation. As such, several items remain unreconciled, contrary to Paragraph 5.12 of COA Circular No. 2020-006.

3.9. The variance noted in RO No. III was due to the non-derecognition of 15 items unserviceable properties with a total value of P3.230 million and its non-inclusion in the RPCPPE. Interview with the Property Officer and the Accounting Officer revealed that said items were still recorded in the books but no longer included in the RPCPPE for CY 2023 because the items were sold and paid by the buyer on December 29, 2023. However, verification disclosed that the items were disposed of only in January 2024.

3.10. In RO No. VI, the variance noted consisted of PPE items not accounted for during the inventory, but were duly recorded in the books. Management admitted that these were mainly attributed to old PPE items that could no longer be located and reconciled due to insufficient documentation regarding the disposal of specific PPE items, and discrepancies in the turnover of items by AOs. Consequently, the PPE items were not included in the RPCPPE, albeit these were still in use. This contributed to the discrepancies in the reported balances. Management also informed that the absolute variance between the balances of PPE in the books and in the PPE Inventory for the account of Office Equipment in the amount of P60,600 and Transportation equipment in the amount of P377,000 represent the unserviceable PPE items which were inadvertently excluded from the RPCPPE.

Variances in absolute amounts of P3.651 million, P3.190 million and P208,124 in the Acquisition cost, Accumulated depreciation, and Depreciation expense, respectively, between the books and Lapsing Schedule in the HO

3.11. In HO, comparison of the acquisition cost and Accumulated depreciation of the PPE account between the books and Lapsing Schedule disclosed total variance in the absolute amount of P3.651 million and P3.190 million, respectively. Likewise, the corresponding Depreciation expense per books and per Lapsing Schedule disclosed total variance in the amount of P208,124, as shown in Table 11.

Table 11 – Variances in the PPE Balances per Books and Per Lapsing Schedule in PCIC HO, As at and for the Year Ended December 31, 2023

	Acquisition Cost			Accumulated Depreciation			Depreciation Expense		
Account Title	Per Books	Per Lapsing Schedule	Absolute Variance	Per Books	Per Lapsing Schedule	Absolute Variance	Per Books	Per Lapsing Schedule	Variance
Office equipment	P 3,226,956	P 3,226,956	P -	P 2,234,437	P 2,549,550	P 315,113	P 338,045	P 311,636	P 26,409
ICTE*	9,322,562	9,331,393	8,831	5,304,004	6,636,002	1,331,998	1,082,920	994,616	88,304
Transportation equipment	12,702,673	9,446,473	3,256,200	7,574,505	8,020,219	445,714	717,906	662,683	55,223
Furniture and fixtures	51,446	51,446	-	54,549	46,301	8,248	5,016	4,630	386
Leased assets improvements	6,194,417	5,808,017	386,400	4,513,793	3,425,193	1,088,600	483,661	445,859	37,802
Total	**P 31,498,054**	**P 27,864,285**	**P 3,651,431**	**P 19,681,288**	**P 20,677,265**	**P3,189,673**	**P 2,627,548**	**P 2,419,424**	**P 208,124**

ICTE - Information and communication technology equipment

3.12. Review of the Lapsing Schedule and other pertinent records/documents submitted by the Accounting Division, Finance Department revealed that variances still existed between books and Lapsing Schedule on ICTE, Transportation equipment, and Leased assets improvements accounts. As noted in prior years' audit, the following variances could not be evaluated due to the absence/non-submission of PPELCs for the said PPE sub-accounts:

a. The variance of P3.256 million in the Acquisition cost in the PPE - Transportation equipment account pertained to the two (2) Motorcycles and two (2) Multi-Purpose Vehicles purchased in December 2023. On the other hand, the variance of P386,400 in the Acquisition cost of the Leased asset improvement account comprised the payments for completed contract on the renovation of the PCIC Automated Business Systems (PABS) room and partial payment for the renovation/construction of the Server Room; while the remaining variance of P8,831 in PPE-ICTE account could not be identified and traced in the records, reports and documents of the HO.

b. The variance in Depreciation expense per books and Lapsing Schedule amounting to P208,124 pertained to recorded transactions in January 2023 through JEV No. 2023-01-110 and in November 2023 through JEV No. 2023-12-35 dated December 28, 2023, as presented in Table 12.

Table 12 – Variance of Depreciation Expense between Books and Lapsing Schedule in PCIC HO, For CY 2023

	Depreciation Expense		
Reference / Period Covered	Per Books	Per Lapsing Schedule	Variance
JEV No. 2023-01-110 / January 2023	P 201,988	P 198,966	P 3,022
JEV No. 2023-11-3 / February to October 2023	1,810,256	1,810,256	-
JEV No. 2023-12-35 / November 2023	410,203	205,101	205,102
JEV No. 2023-12-190 / December 2023	205,101	205,101	-
Total	**P 2,627,548**	**P 2,419,424**	**P 208,124**

c. As shown in Table 12, the Depreciation expense taken up in the books in January and November was higher by P3,022 and P205,102, respectively, or a total of P208,124 compared to the amount in the Lapsing Schedule. The variance was due to the error in recording which resulted in the overstatement of the Depreciation expense recognized in CY 2023 amounting to P208,124, and understatement of Net income by the same amount.

3.13. The existence of variances between the balances per books, Lapsing Schedule and the RPCPPE has been a recurring audit observation which Management has not yet addressed. They admitted that this was mainly due to the old PPE items that could no longer be located and reconciled in the books in the absence of PPELCs and PCs over the years, lack of proper documentation on the disposal of PPE items and no proper turnover of PPE items from outgoing to incoming AOs.

3.14. In view of the inadequacy of pertinent records and documents on PPE account, the Audit Teams were precluded to establish the fair presentation of the balance of the PPE account due to the existence of variances in the absolute amount of P7.776 million between the balances in the RPCPPE and accounting records of the HO and RO Nos. III and VI, and in the absolute amount of P3.651 million and P3.190 million in the acquisition cost and Accumulated depreciation between the books and Lapsing Schedule, respectively, and variance of P208,124 in the Depreciation expense in the HO.

Other Observations on PPE account

Non-maintenance of PPELCs in the HO and ROs and PCs in ROs/updated PCs in the HO

3.15. The PPELC serves as the subsidiary record for PPE account and reference for important information for each PPE item, such as acquisition date, useful life, and residual value, and other relevant data. Item 6.3.2 of COA Circular No. 2020-006 provides that the Accounting Unit shall:

> a. *Take up the necessary accounting entries to recognize PPEs found at station and prepare/maintain corresponding PPELCs based on the List of PPEs Found at Station;*
>
> b. *Xxxx*
>
> c. *Work together with the Property Unit in reconciling the PPELCs/SLs with the PCs maintained by the Property Unit;*
>
> d. *Update the PPELCs as necessary in the course of reconciliation;*
>
> e. *Xxxx*

f. *Ensure that the total balances of PPELCs/SLs tally with the balances of controlling PPE accounts in the General Ledger.*

3.16. The non-maintenance of PPELCs and PCs have been repeatedly included in prior years' observations. However, the Accounting Division at the HO has not complied with the audit recommendation on maintenance of PPELCs, instead the concerned personnel still used the Lapsing Schedule for monitoring of PPE account. The PMGSD already prepared PCs, but they still need to update the data on acquisition cost, date acquired and details of transfer for some PPE. On the other hand, the AFD in RO No. IX mainly relied on the RPCPPE and the PCs.

3.17. Maintenance of these records is crucial to support the reported balances and for better property management and monitoring of the transactions in the PPE account. Absence and/or non-updating of these records undermines the correctness and verifiability of the PPE account balance.

Unserviceable properties with a total acquisition cost of P6.239 million in the HO and RO Nos. I, III, V, VII, IX and XII were not yet disposed of contrary to Section 79 of PD No. 1445

3.18. Section 79 of PD No. 1445 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, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper or general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.

3.19. Moreover, Part 1(A) of National Budget Circular (NBC) No. 425 dated January 28, 1992, or the Manual on Disposal of Government Property, partly states that:

Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in 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.

3.20. Section 39(d) of GAM, Volume I requires that upon determination of the status/condition of the PPE items after the physical inventory-taking, those identified as unserviceable shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) and be dropped from the books.

3.21. Notwithstanding the above-cited provisions, verification of the records and ocular inspection revealed that various unserviceable properties costing P6.239 million were not yet disposed of as of December 31, 2023. These items occupy a large space in the stockrooms, while others were found inside the office premises. The breakdown of the unserviceable PPE items is presented in Table 13.

Table 13 – Unserviceable PPE Items Not Yet Disposed
As of December 31, 2023

Office	Cost	Remarks
HO	P 3,929,275	Interview with the OIC-PMGSD revealed that the last disposal of the unserviceable PPEs occurred in CY 2017. The Audit Team could not determine whether the reported unserviceable PPE items in the IIRUP were still included in the books due to non-maintenance of the PPELCs and unreliable data in the Lapsing Schedule.
RO No. I	359,295	Most of the unserviceable properties were fully depreciated with ages ranging from five (5) to 13 years. Inquiry with the OIC-AFD disclosed that they were not able to process the disposal of the unserviceable properties due to lack of manpower to monitor and prepare necessary documents and the prioritization of the reconciliation of account balances, integration of SLs in the PFMS, influx of claims processed for damages caused by Typhoon Egay and Goring, and the implementation of uniform identification system for PPE.
RO No. III	368,559	Encountered difficulties in appraising items for disposal due to shortage of personnel. These unserviceable items were already included in the IIRUP but were still included in the RPCPPE.
RO No. V	111,560	This pertains to two (2) units of motorcycle costing P55,780 each.
RO No. VII	18,866	Management is processing the disposal of unserviceable properties and have already submitted pertinent documents, pending the review of the Technical Audit Services in COA Regional Office No. VII.
RO No. IX	1,291,307	Management have requested for authority to dispose, pending response from the PCIC HO.
RO No. XII	159,699	Unserviceable assets were not yet disposed of.
Total	**P 6,238,561**	

3.22. The delay in the disposal of the unserviceable PPE items could result in further deterioration and decline in value thereof and deprived the PCIC of additional funds for its operation. Likewise, the storage areas occupied by these unserviceable items could not be used for other purposes.

3.23. It is noteworthy to mention of the latest issuance with regard to disposal of government property as prescribed under COA – DBM Joint Circular (JC) No. 2024-1 dated January 30, 2024 re: Revised Manual on the Disposal of Government Properties. The Manual provides the disposal activities/processes of government properties that are already unserviceable, have reached their estimated useful life, or can no longer provide the expected service/output.

3.24. **We reiterated our previous years' audit recommendations that Management direct the:**

a. Acting Finance Department Manager, Administrative Department Manager and the Regional Managers to instruct the Accounting Division and PMGSD in HO and the AFD in the ROs to:

a.1. Determine the causes of the variances noted in the PPE accounts between books, RPCPPE and Lapsing Schedule and effect the necessary corrections/adjustments on the affected records to arrive at reconciled balances at each reporting period. Henceforth, reconcile regularly the PPE sub-accounts balances with the Lapsing Schedule, RPCPPE, and property records;

a.2. Prepare the complete set of PPELCs, PCs, registries and reports to support the PPE account; and

a.3. Consider availing the one-time cleansing of the PPE account balances in accordance with COA Circular No. 2020-006 dated January 31, 2020, to address the perennial issue on unreconciled balances between the accounting and property records and the RPCPPE.

b. Direct the Administrative Department Manager and Regional Managers concerned to expedite the disposal of all the unserviceable properties to avoid further deterioration and decline in value and to generate additional funds for the PCIC, in consonance with Section 79 of PD No. 1445, NBC No. 425 and Revised Manual on the Disposal of Government Properties prescribed under COA-DBM JC No. 2024-1; and

c. PMIO Manager to instruct the Information Technology Officer to consider integrating in the PFMS the maintenance of PPELCs and PCs for PPE sub-accounts.

3.25. The following are the comments of PCIC Management:

a. In HO, the Accounting Division and PMGSD committed to religiously review the variances noted in the PPE sub-accounts between books, RPCPPE and Lapsing Schedule, and to effect any adjustments necessary. Additionally, during the exit conference held last May 28, 2024, Management affirmed that they are currently developing a separate module in the PFMS for the PPELC and PC.

b. In RO No. I, Management designated the Insurance Processor II as the Supply and Property Officer and a Disposal Committee was already created under Regional Special Order (RSO) No. 009 and RSO 008, Series of 2024 both dated March 4, 2024, respectively. Management will give more attention to the disposal of unserviceable properties in accordance with the updated guidelines. Moreover, they will communicate with PCIC HO to address the lack of manpower.

c. In RO No. III, the Management has committed to a one-time cleansing of PPE account balances.

d. In RO No. V, Management committed to dispose of identified unserviceable properties, in accordance with PD No. 1445 and COA-DBM JC No. 2024-1 dated January 30, 2024.

e. In RO No. VI, Management clarified that the absolute variance between the balances of PPE in the books and in the PPE Inventory for the account of Office equipment in the amount of P60,600 and Transportation equipment in the amount of P377,000 represent the Unserviceable PPE which were inadvertently excluded from the PPE Inventory Report.

f. In RO No. IX, Management justified that due to budgetary constraints, they cannot augment the workforce in the Accounting Division. However, the preparation of PPELCs can be assigned to well-trained job-order personnel in the Accounting Division and Property Division. Nevertheless, they commit to adhering to the recommendations.

3.26. As an audit rejoinder, the Audit Team will continuously monitor the full implementation by the PCIC Management of the audit recommendations in the subsequent audit.

B. NON – FINANCIAL

4. The PCIC has not yet reverted the unutilized balance of the Special Revolving Trust Fund (SRTF) to the Bureau of the Treasury (BTr) amounting to P321.676 million, contrary to Section 29(3), Article VI of the Philippine Constitution and Department of Finance (DOF)-DBM-COA Permanent Committee Joint Circular (JC) No. 4-2012, dated September 11, 2012, re: *Rules and Regulations Implementing Executive Order No. 431 dated May 30, 2005, Directing the Reversion of All Dormant Accounts, Unnecessary Special*

***and Trust Funds to the General Fund and for Other Purposes.* The transfer of the SRTF to the National Treasury would augment depleting funds of the National Government, and facilitate the implementation of its programs and projects.**

4.1. During the early 1950s, the Philippine Government began its efforts to achieve the country's self-sufficiency in rice production. However, by the early 1970s, a series of events threatened the well-being of its people. In response, Masagana 99 was introduced in 1973 to strengthen the government's commitment to restoring the country's competence in rice production. This agricultural program aimed to support farmers by providing access to advanced technology, credit support, fertilizer subsidies, and other agricultural assistance to help them increase their rice productions.

4.2. Letter of Instruction (LOI) No. 1242 *Providing A Measure to Facilitate Guarantee Payments Under the Masagana 99 Program*, dated May 21, 1982, mandated the appropriation and allotment of the SRTF in the amount of P450 million over a period of three (3) years and constituted into as special revolving Trust Fund to be administered by the PCIC for payment of claims of the Philippine National Bank and the rural banks which participated in the Masagana 99 Program, to the extent of 85 per cent of the past due Masagana 99 loans.

4.3. Under Section 7 of LOI No. 1242 and Section 7(b) of DOF, DBM and COA Permanent Committee JC No. 4-2012, the PCIC is required to render annual reports on the status of the SRTF to be submitted to the President, copies thereof to be furnished to then Central Bank, now Bangko Sentral ng Pilipinas, the Ministry of Agriculture, now Department of Agriculture (DA), the DBM and other agencies concerned.

4.4. Section 29(3) Article VI of the 1987 Philippine Constitution states that:

> *All money collected on any tax levied for a special purpose shall be treated as a special fund and paid out for such purpose only. If the purpose for which a special fund was created has been fulfilled or abandoned, the balance, if any, shall be transferred to the general funds of the Government.*

4.5. Likewise, DOF-DBM-COA Permanent Committee JC No. 4-2012 provides as follows:

> *SECTION 5.0. Procedural Guidelines*
>
> *Xxxx*
>
> *5.5 Permanent Committee shall:*
>
> *5.5.1. Require the immediate transfer to the National Treasury of the cash balances of the unauthorized accounts as defined in Item 3.3 maintained with the* [Authorized Government Depository Banks]

AGDBs and other banks. For those bank accounts which are authorized under existing laws including dormant accounts as defined under Item 3.2, the Permanent Committee shall evaluate their legal bases to determine if their continuing existence is still necessary and make a recommendation to the President for the purpose.

4.6. In CY 2016 and prior years, separate financial reports and accounting records for SRTF were being prepared/maintained by the PCIC. However, starting CY 2017, the SRTF account balances were combined in the PCIC financial statements, although separate financial statements are prepared for each year.

4.7. The SRTF financial statements consisted of the SFP and the Statement of Comprehensive Income (SCI) as at and for the year ended December 31, 2023 only, sans the Statement of Cash Flows and Notes to financial statements. A summary of the CY 2023 SRTF financial statements submitted by the PCIC is shown in Table 14.

Table 14 – Financial Statements of SRTF
As at and For the Year Ended December 31, 2023

Particulars	Amount
SFP	
Assets	P 321,675,667
Liabilities	187,605,965
Trust Fund	134,069,702
SCI	
Income	P 8,293,520
Expense	-

4.8. Out of the total appropriations of P450 million, the unutilized balance of the SRTF as of December 31, 2023 amounting to P321.676 million consisting of cash in bank of P18.881 million and short-term investment in time deposit of P302.250 million invested in the Land Bank of the Philippines – High Yield Savings Account with a maturity period of 30 days and re-invested upon maturity. These were disclosed in Note 6 *Cash and Cash Equivalents* of the Notes to financial statements of the PCIC for CY 2023.

4.9. Further, the Liabilities consisting of Claims Payable amounting to P187.537 million have been dormant since CY 2005. This pertains to the special guarantee payment scheme wherein the PCIC as Administrator of the fund, would pay up to 85 per cent of the principal portion of the arrearages in three installments: (a) 25 per cent of the eligible loan arrearages on the first year; (b) 30 per cent on the second year; and (c) 30 per cent on the 3rd year.

4.10. For several years, the SRTF had no significant transactions related to the purpose of allotment of the fund, except for the monthly maturity of short-term investment in time deposit and its corresponding interest income. The lack of transactions during this period connotes that purpose for which the SRTF has been established is no longer relevant or essential for the continued maintenance thereof. Thus, the unutilized SRTF amounting to P321.676 million may now be returned to the BTr, in compliance with the provisions in Section 29(3) Article VI of the Philippine Constitution and DOF-DBM-COA Permanent Committee JC No. 4-2012.

4.11. It is also worth mentioning that the same audit observation had already been raised in the CY 2015 Annual Audit Report, where Management agreed to perform the recommended courses of actions. However, verification of actions taken, and relevant documents disclosed that Management has not complied with the audit recommendations.

4.12. The inability of the PCIC to comply with the provisions of Section 29(3), Article VI of the Philippine Constitution and DOF-DBM-COA Permanent Committee JC No. 4-2012 to revert dormant funds to the general fund of the National Government deprived the latter of additional funds to facilitate the implementation of its programs and projects.

4.13. **We reiterated our prior years' audit recommendations that Management require:**

a. **Concerned Department to review and evaluate whether the purpose for which the SRTF has been established is already accomplished and if the Fund is no longer needed, and return the remaining cash to the National Government pursuant to Section 29(3) Article VI of the Philippine Constitution and DOF-DBM-COA Permanent Committee JC No. 4-2012;**

b. **Finance Department to make the necessary reconciliation, consolidation, adjustment and closing of the books of accounts of SRTF when the same is no longer needed; and**

c. **Coordinate with the BTr on the requirements and procedures of returning the SRTF to the National Government.**

4.14. The HO Management agreed to return the unutilized balance of the SRTF in CY 2024.

5. **In CY 2023, the PCIC was able to insure 2,336,752 farmers and fisherfolk, exceeding its target of 2,323,504 farmers and fisherfolk by 13,248 out of the allocated Government Premium Subsidy (GPS) of P4.500 billion for the Registry System for Basic Sectors in Agriculture (RSBSA) Program. However, some of the production outputs were below the respective targets, resulting in overall shortfall by 190,132.33 or 5.35 per cent of the actual number of area/head/policies of 3,361,782.67 *vis-à-vis* the target of 3,551,915 thus, the full attainment of the main objective of the RSBSA Program of providing insurance protection to farmers and fisherfolk against losses**

arising from natural calamities, plant diseases and pest infestations of their palay and corn crops as well as other crops was somewhat affected during the year, considering the following:

a. **Shortfall of 45,757 farmers and fisherfolk between the target of 1,682,726 and the actual number of farmers and fisherfolk insured for Rice, Livestock and Fisheries insurance lines of 1,636,969;**

b. **Negative variances on the utilization of allocated GPS in total amount of P50.409 million for insurance lines on Rice, High Value Crop (HVC), Livestock and Fisheries between the budget targets of P3,621.212 million vis-à-vis the actual productions of P3,570.803 million; and**

c. **Shortfalls of 4,771; 33,050; 171,991; 5,438; and 7,025 on area/head/policies on Rice, HVC, Livestock, Fisheries and Non-Crop insurance lines between the production targets of 1,327,372; 255,687; 1,529,246; 8,228; and 16,426 and actual accomplishments of 1,322,601; 222,637; 1,357,255; 2,790; and 9,401, respectively.**

5.1. The principal mandate of PCIC is to provide insurance protection to the country's agricultural producers, particularly the subsistence farmers, against losses of their crops and non-crop agricultural assets arising from natural calamities (such as typhoons, floods, droughts, earthquakes and volcanic eruptions), plant pests and diseases, and/or other perils.

5.2. Volume 1-B, XXXVII Budgetary Support to Government Corporations, under RA No. 11936, General Appropriations Act (GAA), Fiscal Year (FY) 2023, provides as follows:

> *C. Department of Finance*
>
> *C.1 Philippine Crop Insurance Corporations*
>
> *Special Provision(s)*
>
> ***Subsidy to the Philippine Crop Insurance Corporation.*** *The amount of Four Billion Five Hundred Million Pesos (P4,500,000,000) appropriated herein under the subsidy to the Philippine Crop Insurance Corporation (PCIC) shall be used for the full insurance premiums of subsistence farmers and fisherfolk to cover crops, livestock, fisheries and non-crop agricultural asset. The PCIC shall ensure that the beneficiaries identified are registered under the Registry System for Basic Sectors in Agriculture and are not insured for the same types of insurance, with priority given to those in localities declared as critical geo-hazard areas or no build zones identified by the Mines and Geo-sciences Bureau.*

Release of funds shall be subject to the submission of the list of subsistence farmers and fisherfolk duly endorsed by the Department of Agriculture.

1. *Special Provisions Applicable to All Government Corporations. In addition to the foregoing special provision, the special provisions applicable to all government corporations enumerated under the Budgetary Support to Government Corporations-Others shall be observed by the PCIC.*

5.3. The baseline and targets provided under the General Appropriations Act (GAA) for FY 2023-Volume II and the 2023 accomplishments are presented in Table 15.

Table 15 – Accomplishments of GAA Targets for FY 2023

Organizational Outcomes/ Performance Indicators	Baseline	2023 Targets	2023 Accomplishments
Financial risk protection for agricultural producers increased			
CROP INSURANCE PROGRAM			
Outcome Indicators			
1. Farmers and fisherfolk provided with agricultural insurance over total number of RSBSA-listed subsistence farmers and fisherfolks	16.08% (2020)	21.03%	21.44%
2. Level of insurance coverage on crops and non-crop agricultural assets (in Million pesos)	P45,441.655	P78,688.311	P61,581.092
Output Indicators			
1. Number of RSBSA-listed subsistence farmers/fisherfolk covered/insured	1,753,144	2,291,897	2,336,752
2. Percentage of available government premium subsidy (GPS) applied/used up	70.26%	100%	100%
3. Percentage of claims with complete documents settled the prescribed period	70.26%	100%	*

**Delay in the settlement of claims was observed in RO Nos. I, II, III, III-A, IV, V, XI and XII*

5.4. The Guidelines for the Implementation of the "Agricultural Insurance for Farmers and Fisherfolk under the RSBSA" for FY 2023, mentioned that cleanup of the list yielded the total identified beneficiaries of 10.900 million. Of the 10.900 million, 2.292 million or 21.03 per cent were identified as target beneficiaries of the RSBSA Program. As shown in Table 15, the target for Outcome Indicator No. 1 Farmers and fisherfolk provided with agricultural insurance over the total number of RSBSA-listed subsistence farmers and fisherfolk, was set at 21.03 per cent using the 16.08 per cent of the CY 2020 RSBSA as the baseline data.

5.5. The PCIC Actuarial Research and Product Valuation Department (ARPVD) provided the Audit Team with the RSBSA Implementing Guidelines and insurance production target and actual production for FY 2023. On the other hand, the PCIC PMIO provided the Highlights of Regional Operations under the RSBSA Program, summarized in Table 16.

Table 16 - Comparison of RSBSA Insurance Production Targets vis-à-vis Production Output, CY 2023

Insurance Lines	Production Target			Actual Production			Over/(Under)					
	No. of Farmers & Fisherfolk (a)	Area (ha)/ Heads/ Policies (b)	GPS* (c)	No. of Farmers & Fisherfolk (d)	Area (ha)/Heads/ Policies (e)	GPS* (f)	No. of Farmers & Fisherfolk (g=d-a)	Percentage (h= g/a x 100)	Area (ha)/Heads/ Policies (i=e-b)	Percentage (j=i/b x100)	GPS* (k=f-c)	Percentage (l=k/c x 100)
Rice	1,259,450	1,327,372	P2,654.743	1,224,987	1,322,601	P2,639.144	(34,463)	(2.74)	(4,771)	(0.36)	P(15.599)	(0.59)
Corn	339,734	414,956	829.913	350,457	447,098	875.574	10,723	3.16	32,142	7.75	45.661	5.50
HVC	247,169	255,687	403.367	285,995	222,637	390.876	38,826	15.71	(33,050)	(12.93)	(12.491)	(3.10)
Livestock	405,955	1,529,246	525.914	396,400	1,357,255.00	506.316	(9,555)	(2.35)	(171,991)	(11.25)	(19.598)	(3.73)
Fisheries	17,321	8,228	37.188	15,582	2,790.00	34.467	(1,739)	(10.04)	(5,438)	(66.09)	(2.721)	(7.32)
NCI**	53,875	16,426	48.875	63,331	9,401	53.625	9,456	17.55	(7,025)	(42.77)	4.750	9.72
Total	**2,323,504**	**3,551,915**	**P4,500.000**	**2,336,752**	**3,361,782**	**P4,500.002**	**13,248**	**0.57**	**(190,133)**	**(5.35)**	**P 0.002**	**0.00**

**GPS in Million Peso **NCI-Non-Crop Insurance*

5.6. As shown in Table 16, the number of farmers insured under the Corn and NCI insurance lines exceeded the target set compared to the amount in production target with corresponding over utilization of GPS by P45.661 million or 5.50 per cent and P4.750 million or 9.72 per cent, respectively. For the HVC Insurance Line, the 247,169 target farmers to be insured was achieved with actual insured beneficiaries over by 38,826, however, the utilized GPS was P12.491 million less than the allotted amount of P403.367 million. Notwithstanding the over production, the target beneficiaries for rice, livestock, and fisheries were not met.

5.7. Furthermore, the production target for area/head/policies was behind by 190,133 or 5.35 per cent (Columns I and j) as compared with the set targets. Only the target for corn insurance line was achieved, while the insurance lines for rice, HVC, Livestock, Fisheries and NCI had negative variances of 4,771; 33,050; 171,991; 5,438 and 7,025, respectively.

5.8. Inquiry with the ROs Management disclosed that the non-achievement of production targets based on the number of insured farmers and fisherfolk and GPS was due to the following:

a. In RO No. I, farmers opted to plant corn and HVC instead of rice as an effect of high costs of farm inputs for palay. Also, the target number of farmers and fisherfolks for HVC and NCI production lines was not achieved due to insufficient allocation of GPS to the said insurance lines.

b. In RO No. V, farmers diverted to rice farming due to assistance from the government through the DA and the higher price of rice compared to corn. While, the fisherfolk had a hard time complying with the documentary requirements on fisheries insurance line, such as, permit to operate as almost all fisherfolk are not into fishing business operations.

c. In RO Nos. VI and VIII the shortfalls in the attainment of the targets in the number of farmers and fisherfolk in HVC and Livestock insurance lines were due to the additional targets in the Coconut Farmers Industry Trust Fund-Crop Insurance Program (CFITF-CIP) and the swine industry is yet to recover from the African Swine Flu (ASF) epidemic, thus, the repopulation program of the DA and LGUs has been on hold. Moreover, PCIC is collaborating with other government agencies like Department of Agrarian Reform (DAR) in identifying Agrarian Reform Beneficiary Organizations and has been vigorously campaigning and promoting its various product lines and programs to farmers and fisherfolks throughout the region by way of orientation and coordination with partner LGUs.

d. In RO No. IX, the target on the number of farmers insured had fallen short by 0.40 per cent to due the cut-off date of the planting season for corn.

e. In RO Nos. VII and IX, the underutilization of the GPS in Rice, Fisheries and NCI was primarily attributed to the provision of insurance to subsistence farmers and fisherfolk with smaller farm lots or fish pens.

5.9. Moreover, comparison of the RSBSA actual production for FYs 2023 and 2022 disclosed a decrease in beneficiaries of 19,037 farmers and fisherfolk, presented in Table 17.

Table 17 - Comparison of RSBSA Actual Production FY 2022 vis-à-vis FY 2023

Insurance Lines	FY 2022		FY 2023		Increase/(Decrease)			
	No. of Farmers and Fisherfolk (a)	GPS (In millions) (b)	No. of Farmers and Fisherfolk (c)	GPS (In millions) (d)	No. of Farmers and Fisherfolk (e=c-a)	Percentage f=(e/a x100)	GPS (In millions) (g=d-b)	Percentage (h=g/b x 100)
Rice	1,197,379	P 2,648.487	1,224,987	P2,639.144	27,608	2.31	P (9.34)	(0.35)
Corn	331,239	822.275	350,457	875.574	19,218	5.80	53.30	6.48
HVC	290,580	384.666	285,995	390.876	(4,585)	(1.58)	6.21	1.61
Livestock	465,257	563.496	396,400	506.316	(68,857)	(14.80)	(57.18)	(10.15)
Fisheries	15,328	34.048	15,582	34.467	254	1.66	0.42	1.23
NCI	56,006	47.039	63,331	53.625	7,325	13.08	6.59	14.01
Total	**2,355,789**	**P4,500.011**	**2,336,752**	**P4,500.002**	**(19,037)**	**(0.81)**	**P (0.01)**	**0.00**

5.10. The OIC, ARPVD informed that the number of insured farmers and fisherfolk in HVC and Livestock decreased due to, among others, some farmers/beneficiaries for coconut that were being accommodated under the CFITF-CIP and the break-out of ASF in CY 2023.

5.11. In summary, the PCIC had fully utilized the GPS of P4.500 billion in providing free insurance to 2,336,752 farmers and fisherfolk beneficiaries of the RSBSA Insurance Program in CY 2023. The number of beneficiaries insured had exceeded the target of 2,323,504 or an over production on number of farmers and fisherfolk insured by 13,248. Nonetheless, the targets on three (3) insurance lines were not achieved despite the overproduction, thus, deprived the eligible recipient farmers and fisherfolk of the opportunity for free agricultural insurance and protect their investments in case of loss or damage due to fortuitous event.

5.12. **We commended Management for achieving the approved production target in providing free agricultural insurance to 2,336,752 farmers and fisherfolk beneficiaries of the RSBSA Insurance Program in FY 2023, equivalent to 21.44 per cent, surpassing the target set in the GAA for FY 2023 of 21.03 per cent for FY 2023, and efficiently provided insurance protection to the intended beneficiaries in compliance with the goals and objectives of the PCIC charter.**

5.13. **On the other hand, we reiterated our prior year's recommendations and Management agreed to direct the Regional Managers to:**

a. **Instruct the Marketing and Sales Division (MSD) and the underwriters to continuously promote insurance lines with under or low production to ensure attainment of the annual targets and continue its campaign to reach out to more farmers and fisherfolk through the utilization of various media of communication, such as online platforms and radio advertisements and continually coordinate with its counterpart in the LGUs for information dissemination; and**

b. **Ensure that set production targets in terms of the number of farmers and fisherfolk for all insurance lines are met, if not surpassed, to fully attain the objective of the RSBSA Insurance Program of providing free insurance protection to the greatest number of subsistence farmers and fisherfolk.**

5.14. Management committed to increase outreach initiatives and improve the mobilization of the MSD in conducting the information and marketing campaigns for all types of agricultural producers. By employing various information dissemination and communication methods, they aim to ensure that the set production targets for the number of farmers and fisherfolk for all insurance lines are met, thereby providing free insurance protection to the maximum number of subsistence farmers and fisherfolk.

Other Observations:

There were 25 and 1,242 farmer-beneficiaries in RO Nos. III and VII availed of insurance cover under the RSBSA and non-RSBSA program involving *government share of P254,147 and P3.307 million, respectively, or in total amount of P3.561 million*

5.15. The implementation of the RSBSA Insurance program is subject to conditions and limitations provided in the 2023 Guidelines for the Implementation of the "Agricultural Insurance for Farmers and Fisherfolk under the RSBSA" as provided for under RA No. 11936 or the GAA, FY 2023. The guidelines for the conditions and limitations on the insurance covers/policies for the implementation of the RSBSA Program is summarized in Table 18.

Table 18 – Limitation on RSBSA Program

	Premium Rate	Amount of Cover (in PhP)	Area/Heads
Reference to Guidelines	*A.2*	*A.3*	*A.4.e*
Rice	10.00%	P 20,000	3.00 hectares
Corn	10.00%	20,000	3.00 hectares
HVC			
Banana	5.00%	100,000	3.00 hectares
Coconut	3.00%	50,000	3.00 hectares
Other HVC	5.00%	50,000	3.00 hectares
Livestock			
Swine			
Fattener	1.75%	10,000	20 heads
Breeder	3.50%	14,500	10 heads
Cattle, Carabao, Horse			
Island-born	4.00%	20,000	10 heads
Imported	5.00%	20,000	10 heads
Goat, sheep			
Island-born	6.00%	6,000	25 heads
Imported	8.00%	6,000	25 heads
Poultry			
Broilers	1.00%	*	2,000 heads/birds
Pullets/Layers	2.60%	*	1,000 heads/birds
Quail layers	2.60%	*	5,000 birds
Fisheries/Aquaculture			
Inland fishpond	Up to 7.00%	*	2,500 square meters
Mariculture parks/offshore			
Cultured under fish cage	Up to 7.00%	*	400 cubic meters
Cultured under fish pen	Up to 7.00%	*	1,000 square meters
Seaweed farm	Up to 7.00%	*	1,000 square meters
Non-Crop Agricultural Asset			
Fishing Boats			
Motorized	2.00%	*	3 units
Non-motorized	3.00%	*	3 units
Fishing gear or paraphernalia			
Motorized	2.00%	*	3 units
Non-motorized	3.00%	*	3 units
Fishing gear or paraphernalia only	3.00%	*	3 units
Fish Cage/Fishpen/Fishfond			
Fish cage	7.00%	*	400 cubic meters
Fish pen	7.00%	*	1,000 square meters
Fishpond	7.00%	*	2,500 square meters

*Various amounts per existing guideline

5.16. Under Item 2.A.4, Part 3 of the PCIC Operations Manual (POM) for rice and corn insurance and Item 2.A.5, Part 2 of POM for HVC insurance line, there is double insurance when the:

a. assured is the same;
b. subject matter/object of insurance is the same;
c. subject matter is separately insured two or more times;
d. interest of the assured is the same; and
e. risk or peril insured is likewise the same.

5.17. In the assessment of the implementation by the PCIC of the RSBSA Insurance Program, the Audit Teams used the Consolidated Premium Register (CPR) provided by the PMIO. The CPR is a registry for all insurance premiums generated from the PABS containing information such as insurance line, name of insured, policy number, insurance program, area insured, product or livestock, barangay, municipality, province, effectivity and expiry dates, amount of cover, premium rates, and amount of premium, among others.

5.18. In RO Nos. III and VII, review of the Certificates of Insurance Cover (CIC) revealed that 25 and 1,242 farmers, respectively, who were registered under the RSBSA Insurance Program also availed of the free insurance under the non-RSBSA Insurance Programs. The total government share involving the double insurance in RO Nos. III and VII amounted to P254,147 and P3.307 million, respectively, or in total amount of P3.561 million details shown in Table 19.

Table 19 – Amount of Government Share on the Insurance Premium of Farmers with Double Insurance

Insurance Program	Government Share		Total
	RO No. III	RO No. VII	
RSBSA	P 74,307	P 2,515,579	P 2,589,886
APCP	57,850	9,045	66,895
PLEA	5,000	-	5,000
SIKAT SAKA	5,000	10,000	15,000
ACEF PROGRAM	55,140	15,873	71,013
RCEF PROGRAM	23,850	-	23,850
OTHER - LBP APC	14,000	-	14,000
OTHER – LI LC	19,000	-	19,000
CPG Program	-	537,529	537,529
OTHER - ACPC APC	-	6,000	6,000
AGRI-AGRA - OTHERS	-	97,600	97,600
CFITF - CIP	-	115,310	115,310
	P 254,147	**P 3,306,936**	**P 3,561,083**

APCP – Agrarian Production Credit Program PLEA – Production Loan Easy Access
ACEF – Agricultural Competitiveness Enhancement Fund RCEF – Rice Competitiveness Enhancement Fund
CPG - Cebu Provincial Government LBP APC – Land Bank of the Philippines Agrarian Production Credit
LC – Lending Conduits

5.19. In RO No. VII, it was observed that the insurance covers of farmers-beneficiaries had expiry date that overlapped with the starting or effectivity date of insurance over in other insurance programs. Considering that the first insurance coverage is still effective, the succeeding insurance application/s may already be considered a double or multiple insurance since the first cover is still effective and the effectivity of the succeeding application was all within the insurable period of the original cover.

5.20. In RO No. III, Management explained that the occurrence of double insurance to 25 farmers was merely overlooked. Further inquiry with the users of PABS revealed that during the encoding of Application for Crop Insurance (ACI), the PABS had no built-in validation control to detect the names of farmers who have already availed of the free insurance coverage in other insurance programs, hence the payment of double-insurance to farmer-beneficiaries.

5.21. In RO No. VII, Management informed that the overlapping dates happened when the actual harvest was made much earlier than what was declared or estimated. This is considered regular since the expiry dates are just estimates. Actual harvest may vary depending on different circumstances. Thus, the insurance application was granted based on the assumption that the first insured subject (crop) was already harvested, and that the subsequent insurance is to cover the new planting. Plainly, there could be no double insurance in this case since the insured crop of the succeeding cover is already different from the former since the latter was already harvested at an earlier date. Also, some of these were insufficiently covered by the GPS Program. The succeeding insurance application was only to insure the unsecured portion of the insurable value of the crops through the regular insurance.

Excess in the allowed limits on Amount of Cover amounting to P37.481 million for Rice, Corn and HVC of 3,723 beneficiaries/insurance production

5.22. Recomputation revealed that there were 3,723 beneficiaries/insurance production where the Amount of Covers were more than the allowed limit. The range in the excess of Amount of Cover was based on the maximum allowable Amount of Cover for each insurance line and its variety provided under Item A.3 of the Guidelines for the Implementation of the Agricultural Insurance for Farmers and Fisherfolk under the RSBSA Program, while the recomputation in the GPS was based on the allowed premium rate provided under Item A.2 of the said Guidelines, as summarized in Table 20.

Table 20 – Amount of Cover Above the Limitations

Insurance Line	Number of Case/s	Range of Excess in in Amount of Cover	Total Excess in Amount of Cover	Premium Rate (In Per cent)	GPS
Rice	71	P 0.20 to 120,000	P 1,192,816	10.00	P 119,282
HVC					
Banana	346	80.00 to 70,000	2,263,240	5.00	113,162
Coconut	2,094	22.00 to 49,000	23,821,057	3.00	714,632
Other	1,212	0.10 to 48,000	10,203,597	5.00	510,180
Total	**3,723**		**P 37,480,710**		**P 1,457,256**

5.23. As shown in Table 20, the recomputed amount of GPS corresponding to the total excess in Amount of Cover of P37.481 million resulted in an over provision of GPS in 3,723 cases equivalent to P1.457 million.

5.24. Interview with the PMIO disclosed the following:

a. A Data Verifier was included in the process of PABS, responsible for checking the completeness of the encoded data in the PABS against the ACI Form.

b. Error in premium rates may have been caused by non-updating of data in the PABS. Updating thereof was made only upon receipt/approval of the Implementing Guidelines. Thus, the improvement in the PABS on the detection on whether the Amount of Cover exceeded the limit, as well as easier revision of premium rates by the PMIO from the previous Implementing Guidelines, if there is any, were implemented only on September 11, 2023.

c. Amount of Cover for Rice can be edited and the premium rates were provided automatically in the PABS upon selecting a specific insurance line and variety/animal/purpose/type of banca.

5.25. It is worth mentioning that these deficiencies in the Amount of Cover, computation of GPS and insurance coverage beyond the set parameters had been decreasing from year to year. Specifically, the deficiency in insurance line with insurance production/cover above limit had decreased from five to only one insurance line in CY 2023. However, these could have been further minimized, if not eliminated, if the embedded controls within the PABS is continually being checked and improved, such as the command prompt or non-acceptance by the System of entries if certain limits were breached during the encoding process of the ACI Form by the Insurance Processor.

5.26. In view of the foregoing observations, the utilization of GPS for the RSBSA Program in the total amount of P5.018 million [P3,561,083 (Table 19) + P1,457,256 (Table 20)] was not in accordance with Item 2.A.4, Part 3 and Item 2.A.5, Part 2 of the POM for Rice, Corn and HVC and Items A.3 and A.2 of the Guidelines for the Implementation of the Agricultural Insurance for Farmers and Fisherfolk under the RSBSA Program, resulting in opportunity loss for other qualified subsistence farmers to avail of agricultural insurance in case of damage to their crops or agricultural assets, as well as inaccuracy in the reported amount of Insurance premium account for the year.

5.27. **We recommended and Management agreed to:**

a. Direct the concerned programmers assigned at PMIO to immediately address the recurring issues on the absence of embedded controls in the PABS to generate reliable records and reports specifically by installing further validation controls in the PABS to:

a.1. Ensure that the check date uploaded from the PFMS is not earlier than the date of occurrence and approval date of indemnity claims; and

a.2. Detect/eliminate immediately double insurance granted to the same farmer-beneficiary;

b. Instruct the officers and employees concerned in the ROs responsible in the underwriting process to exercise due diligence in handling and encoding of data, as well as review of the encoded data to ensure that generated records and reports are complete and free from errors;

c. Regional Managers to:

c.1. Monitor regularly the insurance production/cover encoded in the PABS and Premium Registers to ensure correctness of data, and rates are in accordance with the updated Implementing Guidelines and correctness of Insurance Premium account; and

c.2. Instruct the Insurance Underwriters to:

i. Verify if the farmers applying for subsidized insurance are not yet covered by another subsidized insurance for the same period before processing the CIC; and

ii. Adhere strictly with the existing rules and regulations on the grant of subsidized insurance premium to targeted beneficiaries to ensure that no double insurance is incurred, and to safeguard the funds of the government.

5.28. The following are the comments of Management in HO and ROs:

a. HO Management commented during the exit conference that the PCIC has an ongoing PABS enhancement which could determine whether the insurance application covers the same farm with existing insurance; thus, double insurance could be detected since the boundaries of the farms will be on point-to-point basis like geotagging. The System enhancement started in January 2024 and they are hopeful that the issue would be resolved in CY 2024. Moreover, they also explained that the embedded controls for validating the encoded data and allowable area prescribed in Item A.4.e of the Implementing Guidelines for Fisheries and Non-crop Agricultural Assets Insurance Lines were updated and included in all ROs from September 11 to 14, 2023, with version 1.11.2.0. The PCIC HO Information Technology (IT) Team is committed to enhancing further the current PABS validations to ensure the reliability and accuracy of System-generated records and reports.

b. In RO No. I, Management explained that due to the dry season, the planting of rice and HVC was delayed.

c. In RO No. III, Management explained that despite the encoders proper monitoring and validation of the data, there were still instances where double insurance occurs in the System. With these, the encoders specify in the PABS that these were subject for deletion and the MSD subsequently sought assistance from the personnel-in-charge of PABS in the PCIC HO for the deletion of the encoded data. They further stated that the identified 25 farmers-beneficiaries with double insurance coverage were already reported in the PCIC HO for deletion. Unfortunately, due to the ongoing enhancements of PABS, the request for the deletion could not be immediately acted upon.

d. In RO No. VII, Management mentioned that most of the covers that have the features of a double insurance were caused by insurance covers of farmers for the same farm in which the farm was subdivided into portions with crops planted on different dates. They have already discussed and proposed system improvement and additional controls with the IT in the PCIC HO to address this issue.

e. In RO No. VIII, Management commented that some farmers failed to plant rice during the cropping period May-October 2023.

5.29. As an audit rejoinder, the Audit Team in RO No. III validated the submitted JEV Nos. 2024-02-54 and 2024-02-55 both dated February 29, 2024 and noted that the double insurance was already dropped in the books and in the PABS. Also, the primary concern of the Audit Team in RO No. VII is that users cannot determine the data extracted from the PABS whether the insurance covers may or may not be considered as double insurance, due to a lack of sufficient identifiers to differentiate the insurance applications. One can no longer determine whether an insurance cover is already a double insurance since the System practically accepts anything whether the farmer beneficiary, the subject matter, the insurable interest and the peril or risk insured against were the same. On the other hand, the Audit Teams will continuously monitor the full implementation by the PCIC Management of the audit recommendations in the subsequent audit.

6. **In RO Nos. I, II, III, III-A, IV, V, XI and XII, the settlements of the indemnity claims of the 135,837 subsistence farmers and fisherfolk insured under the various insurance programs/lines in the total amount of P1.162 billion were delayed, contrary to prescribed period of settlements under the PCIC's Operations Manuals on different insurance lines, thus defeating the purpose of providing speedy/timely assistance to farmers and fisherfolk in the restoration of their farmlands, farm properties as well as non-crop agricultural assets after occurrence of loss or damage arising from natural calamities, plant diseases and pest infestations of their palay, corn crops and other non-crop agricultural assets. Likewise, validation of indemnity claims amounting to P4.873 million to 680 farmers conducted by the Insurance Adjusters in RO Nos. III-A and IX after harvest time was not in**

accordance with Section 24, Part 3 of PCIC Operations Manual for Rice and Corn Insurance, thus casted doubt on the reliability and accuracy of assessment made.

6.1. This is a reiteration with updates of the audit observation since CY 2017, as the PCIC Management was not able to fully implement the recommendations to address the issue on the delayed settlements of indemnity claims of subsistence farmers and fisherfolk.

Delay in settlement of indemnity claims of 135,837 farmers and fisherfolk amounting to P1.162 billion in RO Nos. I, II, III, III-A, IV, V, XI and XII

6.2. The PCIC Operations Manuals on Rice and Corn Insurance, HVC Insurance, Fisheries Insurance, Livestock Insurance, Non-Crop Insurance and Credit and Life Term Insurance (CLTI) packages provides the period for settlement of insurance claims, as presented in Table 21.

Table 21 - Policies on Settlement of Insurance Claims

Insurance Line	Reference under Operations Manual	Settlement Policy
Rice and Corn	*Section 11.4, Part II- Master Policy Contract Terms and Conditions*	*Settlement of claims shall be made not later than twenty (20) working days from receipt of complete claims documents.*
HVC	*Section 20.1, Part 2- Implementing Rules and Regulations (IRR)*	*Claims shall be settled within twenty (20) working days from the receipt of a completely filled-out Claim Indemnity.*
Fisheries	*Section 12, Part 2-IRR*	*A claim shall be settled expeditiously, but not later than twenty (20) working days from submission of complete claims documents by the assured to the PCIC.*
Livestock	*Section 24.1, Part 2 - IRR*	*A claim shall be settled within fifteen (15) working days from submission of complete set of claims documents by the assured to the concerned PCIC RO/PEO.*
Non-Crop Agricultural Asset	*Section 2.17, Part 3- IRR*	*The amount of any loss or damage shall be paid within twenty (20) working days after the proof of loss and other supporting documents are received by the PCIC and the loss or damage had been ascertained, but if the loss or damage had not been ascertained within sixty (60) calendar days after the proof of loss and other supporting documents had been received, then the application for the payment of claims shall be considered as approved.*
Term insurance packages	*Section 11.1, Part 2-Master Policy Contract*	*A claim shall be settled not later than twenty (20) working days after the beneficiary or their representative has submitted the necessary documents to the PCIC RO or its underwriting agent. Any deficiency noted on the documents shall put the processing of the claims on hold, until the said deficiency has been submitted/complied with.*

6.3. In addition, Section 11.4, Part II - Master Policy Contract Terms and Conditions of the Rice and Corn Crop Insurance Operations Manual, provides:

> *Any claim not acted upon within sixty (60) calendar days from submission of complete claims documents by the affected farmer to the concerned PCIC RO shall be considered approved.*

6.4. The afore-cited provision was also included under Section 20.2, Part 2- IRR on HVC Insurance Operations Manual; Section 12.2, Part 2 - IRR on Fisheries Insurance Operations Manual; and Section 24.4, Part 2- IRR on Livestock Insurance Operations Manual.

6.5. Initial processing of indemnity claims is being undertaken by the Claims and Adjustment Division (CAD) in coordination with the MSD in the ROs. Evaluation of insurance records from the MSD is made upon submission of the Application for Claim/Notice of Loss by the farmers and fisherfolk to the CAD, before assigning an Adjuster to inspect the insured interests of farmer/fisherfolk. After evaluation by the Adjuster, the claim for indemnity is forwarded to the AFD for checking of completeness of the supporting documents and prepare a Report on Approved Claims (RAC) and disbursement voucher (DV), then the RAC and DV will be forwarded to the Regional Manager for final review and approval. Upon approval, the Teller will prepare the checks for signature of the Chief CAD and the Regional Manager.

6.6. Based on the policies on the settlements of indemnity claims as presented in Table 21, validation of the sampled claims by the Audit Teams in the ROs disclosed that settlements of the indemnity claims of the 135,837 farmers and fisherfolk under various insurance programs/lines in the total amount of P1.162 billion were delayed. Details of the validation of the Audit Teams in the ROs are presented in Table 22.

Table 22 – Summary of Delayed Settlements of Indemnity Claims

Office	No. of Days Delay	Number of Farmers	Amount
RO No. I	1 to 198 days	36,898	P 315,296,090
RO No. II	Beyond 60 days	5,979	33,489,375
RO No. III	1 to 314 days	18,312	221,477,072
RO No. III-A	61 to 214 days	498	4,954,296
RO No. IV	1 to 193 days	41,466	433,699,486
RO No. V	1 to 100 days	31,014	130,793,774
RO No. XI	1 to 196 days	724	13,001,631
RO No. XII	31 to 302 days	946	9,340,215
Total		**135,837**	**P 1,162,051,939**

6.7. Inquiry with ROs Management revealed that the primary causes of the delays in the settlement of insurance claims of farmers and fisherfolk, are as follows:

a. Various typhoons struck the provinces under RO Nos. I, III, III-A, and IV resulting in influx of claims, and subsequently late receipt of Claims for Indemnity documents which prevented prompt processing.

b. Deficiencies in the documentation of submitted claims of the farmers and fisherfolk in RO Nos. I, IV, V, and XI.

c. Inadequate manpower in RO Nos. I, III, and III-A which prevented the timely processing and verification due to the huge volume indemnity claims from farmers-beneficiaries.

d. Geographical and logistical challenges faced by the Adjusters in RO Nos. III, III-A, IV, and XII.

e. Review by the CAD and the Regional Managers of the indemnity claims could not be fast tracked due to huge quantity of claims being processed in RO Nos. II and III.

f. Relocation of RO No. III office which temporarily disrupted the processing of indemnity claims.

g. The CIC in RO No. V was not yet encoded in the PABS though the loss had already occurred.

h. Delays in conducting inspection/adjustment of loss in view of the inadequacy on the number of Insurance Adjusters.

6.8. In view of the delays in the settlement of indemnity claims of the farmers and fisherfolk by PCIC ROs, the objective of providing speedy/timely assistance to farmers and fisherfolk in the restoration of their farmlands, farm properties as well as non-crop agricultural assets after occurrence of loss or damage arising from natural calamities, plant diseases and pest infestations was defeated.

Indemnity claims in RO Nos. III-A and IX of 424 and 256 farmers in the amounts of P3.467 million and P1.406 million, respectively, were only validated by the Insurance Adjusters after harvest time, contrary to Section 24, Part 3 of PCIC Operations Manual for Rice and Corn Insurance

6.9. Section 24, Part 3 of PCIC Operations Manual for Rice and Corn Insurance provides that:

> ***CLAIMS VALIDATION*** *– A regular claims validation shall be conducted by the Claims Validation Team or any competent technical personnel as authorized by the Regional Manager.*

This activity would serve as a monitor of claims payment in terms of validity, verifying information such as the identity of the farmer and insured parcel, loss estimation, and other matters pertinent to claims settlement. Claims validation shall be performed before harvest, prioritizing claims that raised doubt and those involving large areas.

6.10. Section 16(c), Part 3 of the said PCIC Operations Manual, states that:

Claims adjustment and verification under regular insurance claims situation which occurred not during a widespread calamity shall be conducted, as far as practicable, by two (2) PCIC authorized insurance adjusters; Xxxx

6.11. Under the PCIC Operations Manual, the Claims Adjustment and Verification Report (CAVR) is one of the required documents to support the processing of insurance claims of farmers. The CAVR is to be prepared by the Insurance Adjuster/Team of Adjusters.

6.12. In RO Nos. III-A and IX, review of the CAVR disclosed that there were 680 indemnity claims in the aggregate amount of P4.873 million which were validated by the Insurance Adjusters only after the harvest time, breakdown in Table 23.

Table 23 - Indemnity Claims Validated by the Insurance Adjusters After Harvest Time

RO No.	Number of Farmers	Amount	No. of Days from Harvest to Claims Validation
III-A	424	P 3,466,917	1 to 142 days
IX	256	1,405,896	1 to 49 days
	680	**P 4,872,813**	

6.13. Further, it was observed in RO No. III that there were 85 insurance claims of farmers amounting to P849,038 that were validated by only one Insurance Adjuster, who also certified/verified the correctness of the CAVR, thus casted doubt on the reliability and accuracy of assessment made.

6.14. Management in RO No. III informed that there were claims adjusted/verified after harvest because of the insufficient number of Insurance Adjusters especially during widespread calamity and infestation.

6.15. **We reiterated our previous years' recommendations that Management direct the Regional Managers to:**

a. Require the CAD to prioritize the processing of the indemnity claims, and the AFD to expedite the release of payments to farmers and fisherfolk within the prescribed periods specified under the PCIC's Operations Manuals on different insurance lines, by designating personnel from other divisions/units especially during massive influx of indemnity claims; and

b. Address the inadequacy in the number of personnel involve in the processing of indemnity claims to minimize delays in the settlement thereof to the farmers and fisherfolk.

6.16. **We also recommended that Management direct the Regional Managers to:**

a. Require the PEOs to devise a monitoring policy relative to the submission of documentary deficiency/ies to ensure timely transmittal and receipt of required claims documents;

b. Identify bottlenecks and formulate strategies to streamline the processing of indemnity claims of farmers and fisherfolk, and to mitigate the occurrence of undue delays in the future;

c. Adhere strictly to Sections 24 and 16(c), Part 3 of PCIC's Operations Manual on Rice and Corn Insurance to ensure the fairness and reliability of the results of claims validation and loss assessment; and

d. Ensure that the claims validation be conducted by two insurance adjusters to establish proper control in the assessment process, and to come-up with a more reliable CAVR.

6.17. HO and ROs Management commented the following:

a. In HO, they commented during the exit conference that transactions were classified as follows: (i) simple; (ii) highly complex; and (iii) highly technical. Admittedly, due to lack of manpower, they could not fast track the processing due to the volume of indemnity claims and consequently, the period of settlement will extend.

b. In RO No. I, they commented that the delays were due to multiple lots insured by farmers, located in different locations, which need to be inspected and validated by Claims Adjusters one by one or on a per lot basis. Likewise, they mentioned that based on the consideration given by the PCIC HO, settlement of claims can be extended up to 60 days whenever there are widespread calamities like typhoon and outbreak of pests and diseases. However, they committed to further improve and facilitate claims processing and prompt payment particularly during influx of claims.

c. In RO No. II, they explained that they have been continuously strategizing ways to improve the settlement of the claims and are also equipped with contingency plans to lessen the delay. They further justified that the delays in processing of claims were due to challenges in the manpower as well as hiring of encoders and adjusters. Moreover, the Chief of the CAD presented a strategy that would help improve the processing of the claims and thereby reduce or mitigate any delays in the payment of claims, but such strategy requires additional manpower.

d. In RO No. III, they explained that there was confusion on the conflicting rulings on the settlement of indemnity claims wherein the Manual specifies a settlement within 20 working days, while the mandate outlines a 60-working day period. Also, they explained that certain delays were attributed to the reconsidered claims wherein after denial, a re-application process is initiated, followed by validation. However, the PABS continues counting despite this reconsideration. Additionally, they mentioned plans for ongoing enhancements to the System at the HO to specifically address said concern. In response to the inadequacy in the number of personnel, they explained that although they already hired personnel with the task of processing indemnity claims, a significant number resigned due to quota-related issues. Consequently, the tasks assigned to those who resigned were left untouched. It is worthy to note that the hiring process is set to recommence.

e. In RO No. III-A, they justified that the delay in claims settlement was attributed to the voluminous number of claims, technical difficulty, insufficient number of adjusters and pending claims with deficiencies. Moreover, they implemented various strategies to ensure timely settlement of claims. They also explained that claims validation is not mandatory for all claims but rather a way to check for doubtful claims already verified, assessed and adjusted by Insurance Adjuster and performed before harvest and settlement of claims. The Insurance Adjuster may establish the degree of damage through:

    i. gathering secondary evidence or information from the neighbors or barangay officials;

    ii. farmer's actual yield vis-à-vis normal yield; and

    iii. use of general assessment report as guide in the determination of loss.

f. In RO No. IV, they implemented various actions to address the delay in the settlement of indemnity.

g. In RO No. V, they committed to fast track the settlement of ensuing claims to be filed for immediate restoration of farms and properties and to exert efforts to meet the 20-day Claims Settlement Response Time (CSRT) in ensuing periods.

h. In RO No. XI, they acknowledged the delay in the settlement of indemnity claims.

i. In RO No. XII, they commented that there was a mistake in the encoding to the PABS the fisheries insurance line concerning the date of the occurrence of loss in which the dates encoded were that of

Date of Stocking instead of *Date of Effectivity* of the insurance. While for the livestock, the 30th day from which the last day of filing fell on weekends and on the day the PCIC RO had an activity leaving PEOs closed.

6.18. As a rejoinder, the Audit Teams acknowledged the commitment of Management, particularly in the ROs to address the issues on the delays in the settlement of indemnity claims of farmers and fisherfolk, which will be monitored in the succeeding audit. However, we further **recommended that Management revisit Section 24, Part 3 of the PCIC Operations Manual for Rice and Corn Insurance and provide further clarification and/or guidelines, as warranted, to ensure consistency of compliance by all ROs in conducting claims validation, considering that RO No. III-A Management justified that "such procedure is not mandatory for all claims as it served as checking for doubtful claims already verified, assessed and adjusted by Insurance Adjuster and performed before harvest and settlement of claims."**

7. The PCIC had fully utilized the allotted budget in the amount of P200 million for the implementation of the Coconut Farmers and Industry Trust Fund - Crop Insurance Program (CFITF-CIP) for FY 2023. However, the implementation of the CIP was not in accordance with the Coconut Farmers and Industry Development Plan (CFIDP) and PCIC Implementing Guidelines because 121 coconut farmers were provided with Amount of Cover above the maximum area of one hectare per farmer, ranging from 1.05 to 2 hectares, resulting in excess in Amount of Cover ranging from P52,500 to P100,000, vis-à-vis the requirement under Chapter 6.1.2 of the CFIDP and Section IV.B.6 of the PCIC Implementing Guidelines which set the maximum area of one (1) hectare with a population density of 100 trees or P500 per tree with premium rate at two (2) per cent of the Amount of Cover.

7.1. RA No. 11524, otherwise known as the CFITF Act, was signed into law on February 26, 2021 by former President Rodrigo Roa Duterte and declared as the policy of the state to consolidate the benefits due to coconut farmers, particularly the poor and marginalized, to attain increased incomes for coconut farmers, alleviate poverty, and achieve social equality.

7.2. Section 4 of the CFITF Act required the preparation by the Philippine Coconut Authority (PCA) of the CFIDP for approval by the President of the Philippines. The CFIDP details the component projects of each program and their indicative budgets and sets the directions and policies for the development and rehabilitation of the coconut industry within 50 years, guided by the following objectives:

a. Increased productivity and income of coconut farmers;

b. Poverty alleviation, education, and social equity; and

c. Rehabilitation and modernization of the coconut industry towards farm productivity.

7.3. The CFIDP includes a national program for:

a. Community-based enterprises, including integrated processing of products and downstream products intended to increase incomes of coconut farmers;

b. Social protection that directly benefit coconut farmers, farm workers, and their families, taking into consideration existing social protection programs of the government;

c. Coconut farmers organization and development;

d. Innovative research projects and their practical application on coconut processing, production and distribution toward developing the local coconut industry; and

e. Integrated processing of coconut and downstream products.

7.4. The CFITF-CIP is designed to protect the coconut farmers from financial losses, reverse the risk-averse nature of coconut farmers, and encourage them to invest more in new technologies that would help increase coconut productivity. This aligns with PCIC's role as the government's sole agricultural insurance provider to protect the country's agricultural producers, particularly the subsistence farmers, against crops losses arising from natural calamities such as typhoons, flood, drought, earthquakes, tornado, volcanic eruption as well as plant pests and diseases and non-crop agricultural asset losses due to perils for which the asset has been insured against. The Program covers coconut trees as the only insurable commodity. The Coconut Tree Mortality Insurance Product Package shall be implemented during the early years of the Program implementation until the Yield Insurance Product Package is fully developed.

7.5. The beneficiaries of the CFITF-CIP shall be National Coconut Farmers Registry System (NCFRS)-registered coconut farmers who are either landowners, tenants, or owner-operators operating five (5) hectares and below whose coconut farms are in areas prone to natural calamities as identified by the PCA. The eligible coconut farm area per farmer shall be a maximum of one (1) hectare.

7.6. Likewise, in view of the coordinated implementation of RA No. 11524 or CFITF Act, the COA-DBM-BTr issued JC No. 1, series of 2022 to establish the guidelines in the Release, Disbursement, Monitoring, Accounting and Reporting of the CFITF.

7.7. The PCIC is mandated to implement the CFITF-CIP which is part of the CFIDP's Social Protection component. Based on the CFIDP, the PCIC has an allocation of four per cent of the annual CFITF budget, as presented in Table 24.

Table 24 – CFIDP Budget and Targets for the PCIC CFITF-CIP

	No. of Farmers	Area (hectare)	Amount of Cover*	Annual Budget Allocation (Premium)**
Year 1: 2022	200,000	200,000	P 10.000 billion	P 200.000 million
Year 2: 2023	200,000	200,000	10.000 billion	200.000 million
Year 3: 2024	240,000	240,000	12.000 billion	240.000 million
Year 4: 2025	280,000	280,000	14.000 billion	280.000 million
Year 5: 2026	400,000	400,000	20.000 billion	400.000 million
	1,320,000	**1,320,000**	**P 66.000 billion**	**P1,320.000 million**

*Amount of Cover computed at P50,000 per hectare **Premium Rate at 2%

7.8. We commended the PCIC for the full utilization of the allotted budget in the amount of P200 million in the implementation of the CFITF-CIP for FY 2023.

7.9. Based on Chapter 6.1.2 of the CFIDP, the PCIC created the guidelines for the implementation of the CFITF-CIP. Section IV.B of the PCIC Implementing Guidelines for CFITF-CIP provides:

> 1. *Applicable Insurance Program - the CFITF-CIP premium subsidy shall be allocated to the **Coconut Tree Mortality Insurance Cover** under the PCIC's High-Value Crop Insurance Program.*
>
> 2. *Xxx*
>
> 3. *Allowable Percentage of GPS in the Premium Cost – the premium subsidy shall be **100% of the premium cost** Xxx*
>
> 4. *Amount of Cover (AC) – shall be set at Fifty Thousand Pesos (P50,000.00) **for a hectare** with a population density of 100 trees or P500 per tree. Xxx*
>
> 5. *Premium Rates – shall be set at **2% of the AC**, which includes coverage for natural calamities and all types of pests and diseases.*
>
> 6. *Maximum Area – **shall be maximum of one (1) hectare.*** (Emphasis supplied)

7.10. Part 2, Section 7 - Term Insurance of the Operations Manual for High Value Crop Insurance states that:

> *The insurance coverage shall be on an **annual basis** for annual, biennial and **perennial crops**; xxx* (emphasis ours)

7.11. Review of the CPR provided by Management revealed that neither the population density or number of trees were specified therein, nor does it indicate whether the area has a considerable reduction or increase in coconut tree population. It was also observed that some coconut farmers were provided with a lower Amount of Cover despite having a maximum land area of one hectare, while some coconut farmers obtained more Amount of Cover despite they have smaller land area.

7.12. Due to the inadequacy of the data or information in the CPR for CFITF-CIP beneficiaries, specifically on the number of trees and on whether the area has a considerable reduction or increase in coconut tree population, initial recomputation was made by the HO Audit Team by pro-rating the Amount of Cover based on the actual land area following the maximum allowed Amount of Cover of P50,000 per hectare and premiums at two (2) per cent of the Amount of Cover as provided under the CFIDP and PCIC Implementing Guidelines for CFITF-CIP. The differences noted in the initial review by the Audit Team in the HO were farmed out to the ROs for validation.

7.13. The Audit Teams in the ROs noted that the number of trees were indicated in the insurance applications and Summary Report of High Value Commercial Crop and Farm Inspections Reports. Based on validation of the Audit Teams in RO Nos. III, VI, VII, VIII, XI, and XII, there were variances in the free insurance coverages provided to coconut farmers. The variances occurred because the basis in the computation of the Amount of Cover and corresponding Insurance Premiums was the number of actual coconut trees planted and not by the area of the land. A one-hectare land area typically has less than 100 coconut trees planted. On the other hand, smaller areas tend to have more coconut trees planted entailing higher cost of production input.

7.14. Validation from RO Nos. IV, IV, VI, VII, VIII, XI and XII showed that there were 121 coconut farmer-beneficiaries (Table 25) who were provided free insurance coverages above the prescribed maximum area of one hectare per farmer, while 52 coconut farmers from RO Nos. IX and X were still for evaluation by the Audit Teams concerned.

Table 25 – Insurance Coverages Above Prescribed Limit In RO Nos. IV, VI, VII, VIII, IX, X, XI and XII

		Range of Excess	
RO	No. of Coconut Farmers	Area (in hectare)	Amount per Cover
IV	16	1.50 to 2.00	P 67,500 to 100,000
VI	12	1.10 to 2.00	52,500 to 100,000
VII	3	1.05 to 1.26	52,500 to 65,500
VIII	20	1.25 to 2.00	62,500 to 100,000
IX	45	1.20 to 2.00	60,000 to 100,000
X	7	1.10 to 1.95	52,500 to 97,500
XI	16	1.15 to 2.00	75,000 to 100,000
XII	2	1.50 to 2.00	75,000 to 100,000
	121	**1.05 to 2.00**	**P 52,500 to P100,000**

7.15. The 121 coconut farmers owning land with area ranging from 1.05 to 2.0 hectares were insured above the limitation prescribed under Chapter 6.1.2 of the CFIDP and Section IV.B.6 of the PCIC Implementing Guidelines for CFITF-CIP, considering that the eligible coconut farm area per farmer shall be a maximum of one hectare only, thus resulting in excess in Amount of Cover ranging from P52,500 to P100,000.

7.16. According to the Officer-in-Charge (OIC), ARPVD in the HO, there was a recommended allotted land area or spacing for each coconut tree for it to be viable for growth, thereby implying that the land area can be used in the computation of Amount of Cover, unless there is a significant decrease in the population density on the coconut farm area.

7.17. Inquiry with the IT Officer disclosed that the PABS was programmed not to accept additional insurance applications for farmers with existing insurance coverage and should only be insured upon expiration of its existing insurance coverage. He mentioned that he will inquire about the circumstances in the RO and will investigate the possible reason why it was accepted by the System in the ROs.

7.18. In view of the foregoing, the implementation of the CFITF-CIP was not in accordance with the CFIDP and PCIC Implementing Guidelines, thereby depriving other coconut farmers from the opportunity to be insured from agricultural losses through insurance coverage under the CFITF-CIP.

7.19. **We recommended that Management ensure compliance with the provisions of CFIDP and PCIC's Implementing Guidelines on CFITF-CIP and instruct the:**

a. **Head of PMIO in the HO to direct the concerned programmers to review the existing validation controls specifically on the coconut farmers insured under the CFITF-CIP and install/embed additional validation controls, as warranted, to avoid provision of insurance coverage more than the allowed limit;**

b. **PMIO, ARPVD and Regional Managers in RO Nos. IV, VI, VII, VIII, IX, X, XI, and XII to investigate the 121 coconut farmers who were provided with insurance coverages more than the allowed limit, identify the lapses, and addressed these lapses by corrective actions; and**

c. **Regional Manager of RO No. IV to require the personnel concerned in-charge with the underwriting process to exercise due diligence in handling and encoding of data, as well as, authorized officer to conduct judicious review to avoid the manual errors in encoding in the PABS.**

7.20. **We also recommended that Management consider strengthening the implementing guidelines to promote uniformity of interpretation and implementation of the CFITF-CIP particulary in the computation of Amount of Cover across all ROs.**

7.21. The following are the comments of the PCIC Management:

a. In the HO, the PCIC Senior Vice President commented that they have instructed the PMIO to include in the validation control the number of coconut trees because this data is crucial in the determination of mortality rate of coconut trees in computing for the indemnity claims. Moreover, the PABS embedded controls for validating the encoded data were revised and updated last September 11, 2023 with version number 1.11.2.0.

b. In RO No. VII, they explained that the variance in the Amount of Cover for HVC was due to adjustments made by PCIC using the Amount of Cover on the actual number of trees on the farm as basis instead of the farm area, especially on large farms planted with few trees or crops. This is to limit the risk exposure of the PCIC from over-covered farms. For those with excess in the Amount of Cover, they added that the larger Amount of Cover was granted despite exceeding the limits for the declared area because the farmer planted more trees and/or incurred larger Cost of Production Input.

c. In RO No. VIII, they commented that since the applicable insurance program is Coconut Tree Mortality Insurance wherein payment of indemnity will be based on the total number of dead trees, correspondingly, the determination of the amount of insurance coverage is also based on the total number of trees per area (hectare). There were cases where the population density in a one-hectare coconut farm was less than 100 trees. Therefore, the amount of cover was in accordance with the total number of trees existing per hectare as declared by the farmer in his application for HVC insurance.

7.22. As an audit rejoinder, the Audit Teams will continuously monitor the full implementation by the PCIC of the audit recommendations on the implementation of the CFITF-CIP.

GENDER AND DEVELOPMENT (GAD)

8. The PCIC submitted to the Philippine Commission on Women (PCW) thru the Gender Mainstreaming Monitoring System (GMMS) its GAD Plan and Budget (GPB) for FY 2023 and attributed 27.11 per cent or the amount of P1.569 billion out of the P5.788 billion FY 2023 Corporate Operating Budget (COB) in compliance with the PCW-National Economic and Development Authority (NEDA)-DBM JC No. 2012-01. However, the FY 2023 GPB was not endorsed by the PCW. Likewise, existing rules and regulations relative to GAD were not fully complied with, in view of the following:

a. Absence of a six-year GAD Agenda as required under PCW Memorandum Circular (MC) No. 2018-04 dated September 19, 2018;

b. **Inadequate gathering of GAD data base such as sex-disaggregated data (SDD) and other gender-related information for use in gender analysis;**

c. **The CY 2023 GAD Accomplishment Report (AR) was not furnished to the Audit Team within the prescribed period; and**

d. **Non-assignment of Responsibility Center (RC) and RC Codes for the GAD Focal Point System (GFPS) to account for the GAD expenses and other GAD-related financial transactions, contrary to COA Circular No. 2021-008 dated September 6, 2021.**

8.1. Section 6.1 of the PCW-NEDA-DBM JC No. 2012-01 provides that:

> *At least five percent (5%) of the total agency budget appropriations authorized under the annual* [General Appropriations Act] *GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personnel services (PS). Xxxx*

8.2. The PCIC attributed 27.11 per cent or P1.569 billion of its FY 2023 COB in the amount of P5.788 billion to the FY 2023 GPB. However, the FY 2023 GPB submitted by the PCIC to the PCW thru the GMMS was not yet endorsed by the latter as at audit date, which cast doubt on conformity of the PCIC proposed GAD PAPs to address gender issues, proper mainstreaming and attribution of GAD fund, in accordance with relevant laws, rules and regulations.

8.3. Meanwhile, the FY 2023 GAD AR of the PCIC submitted to the PCW thru the GMMS is shown in Table 26.

Table 26 – PCIC Unendorsed FY 2023 GPB vis-à-vis FY 2023 GAD AR

GAD Activity	Actual Result	Responsible Unit/Office	Total Agency Approved Budget	Actual Cost/ Expenditures	Remarks
Updating and posting of GAD-related activities and reading materials in GAD corner and bulletin board	110 updates and reading materials posted in GAD corners	RO Nos. I, II, III-A, IV, VI, IX, X, & XI	P 62,500	P 108,692	Completed
Distribution of GAD advocacy materials to walk-in clients (continuing activity)	Distributed at least 24,511 pieces of advocacy materials to walk-in clients in concerned ROs	RO Nos. I, II, V, VI, IX, X, & XI	135,000	61,643	Completed
Purposive information dissemination of PCIC insurance programs and services including gender-sensitive trainings, conducted by 13 ROs and 56 PEOs	Conducted at least 25 orientation/information dissemination caravans in concerned ROs to at least 47,021 participants (16,720 males and 30,419 females)	RO Nos. II, IV, VI, VII, VIII, & X	2,931,789	1,348,322	Completed

GAD Activity	Actual Result	Responsible Unit/Office	Total Agency Approved Budget	Actual Cost/ Expenditures	Remarks
Maintenance of 12 existing GAD corners (HO and 11 ROs), renovation of comfort room in PCIC RO No. III-A to be converted to GAD corner, and allotment of space for GAD corner in the new building of PCIC RO No. IX	18 updates posted and existing GAD corners maintained	RO Nos. III-A, VI, VIII, X, & XI	180,000	180,266	Completed
Provide discounted rate for Agricultural Dismemberment Security Scheme (ADSS) & Agricultural Producer Protection Plan (AP3) to farmers/fisherfolk and their family members, especially women senior citizens and marginalized women	-	RO Nos. I, VI, & XI	2,262,500	247,434	Completed
Provision of free insurance coverage to women farmers/fisherfolks certified by the DA, but not listed in the RSBSA (All insurance lines)	260,522 farmers and fisherfolk (143,666 males and 116,856 females) covered with free insurance coverage	RO No. VI	10,737,900	10,515,235	Completed
Provide one (1) lactation station in PCIC RO No. VIII	Temporary lactation space/area provided	RO No. VIII	100,000	10,000	Completed
Participation in GAD advocacy activities	Conducted GAD activities and participated in events/activities organized by other agencies and institutions	HO and ROs concerned	4,662,743	4,523,622	Completed
Collection of SDD in every activity conducted	SDD generated from GAD-related activities conducted for the year	HO and ROs concerned	50,000	43,110	Completed
Conduct of GAD trainings, seminars and/or workshops among GAD Focal Point System (GFPS) members, i.e. discussion on GMEF and refresher course on the preparation of GAD Plan and Budget reports (continuing activity)	HO and ROs GFPS attended meetings and other continuing education programs conducted by PCIC and by PCW in preparation of relevant GAD reports	HO and ROs concerned	435,000	550,546	Completed
Conduct of retooling on gender sensitivity, gender responsiveness and gender mainstreaming (continuing activity)	Conducted training-seminars in HO and in the ROs on gender sensitivity and responsiveness, updates on the Magna Carta of Women and other gender-related laws	HO and ROs concerned	7,288,835	4,638,621	Completed
Conduct of activities in observance of the 18-day Campaign to End Violence Against Women (VAW)	Conducted GAD activities in HO and the ROs with the participation of all PCIC employees (688 male employees and 702 female employees) to promote awareness on violence against women and children such as forums and film showing	HO and ROs concerned	2,799,880	1,157,355	Completed

GAD Activity	Actual Result	Responsible Unit/Office	Total Agency Approved Budget	Actual Cost/ Expenditures	Remarks
Conduct of annual year-end GAD seminar-workshop for the planning, budgeting, monitoring and evaluation of GAD programs with the participation of GFPS members (13 from HO and 39 from ROs)	Consolidated annual GPB	HO and ROs concerned	3,104,900	5,137,205	Completed
Extension of rice crop insurance coverage to 1,152,872 subsistent farmers clients in relation with PCIC's mandate (RA No. 8175)	-	ROs	1,178,122,273	1,192,893,250	Extended rice crop insurance coverage to 1,432,750 farmer clients nationwide
Extension of corn crop insurance coverage to 311,556	-	ROs	356,246,366	395,759,614	Extended corn crop insurance coverage to 508,307 farmer clients nationwide
Total			**P 1,569,119,686**	**P 1,617,174,915**	
Utilization of GAD Budget				**103.06%**	

8.4. As shown in Table 26, the PCIC was able to utilize P1.617 billion for the implementation of GAD PAPs. However, since the FY 2023 GPB was not endorsed by the PCW, the Audit Team was precluded in determining whether the implemented GAD PAPs duly addressed the gender issues of the PCIC within the context of its mandate. The said GAD AR furnished to the Audit Team was still under review by the PCW as at audit date.

Absence of a six-year GAD Agenda as required under PCW MC No. 2018-04 dated September 19, 2018

8.5. Section 3 of PCW MC No. 2018-04 dated September 19, 2018, describes the GAD Agenda as the agency's strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality.

8.6. Section 4 of the same MC provides that:

> *The GAD Agenda is a two-part document consisting of the GAD Strategic Framework (GADSF) and the GAD Strategic Plan (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 GAD goals over a period of time.*
>
> *The timeframe of the GAD Agenda is six years.*

8.7. Section 8 of PCW MC No. 2018-04 further provides:

> *The GAD Agenda, progress and end-term reports shall be submitted by agencies to PCW for the purpose of monitoring, evaluation, reporting of* [Gender Equality and Women

Empowerment] *GEWE results and as necessary, provision of technical assistance on its implementation.*

8.8. Review of the proposed GAD Agenda prepared by the PCIC showed the following:

a. The coverage was for five (5) years, from CY 2020 to CY 2024, contrary to Section 4 of PCW MC No. 2018-04 which requires the timeframe of six (6) years. The coverage of the GAD Agenda should commence a year after submission to the PCW, thus, should no longer cover CYs 2020 to 2024.

b. GAD Agenda was not submitted to the PCW as prescribed under Section 8 of PCW MC No. 2018-04.

c. It was approved by the Chairperson of the GFPS, who is currently the PCIC Senior Vice-President, instead of the President of the PCIC, contrary to the requirements of Section 6.1 of PCW MC No. 2018-04, which states that:

> *The head of agency shall approve the GAD Agenda and issue a policy ensuring its implementation by the agency's sub-units.*

Inadequate gathering of GAD data base, i.e. SDD and other gender-related information as basis for gender analysis and performance-based gender responsive planning

8.9. One of the essentials elements in GAD planning and budgeting is the GAD Database. Thus, government agencies are required to develop or integrate in their existing database GAD information, including gender statistics and sex-disaggregated data as inputs or bases for planning, budgeting, programming, and policy formulation as stated in Item 4.4 of PCW-NEDA-DBM JC No. 2012-01, to wit:

> *Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.*

8.10. Section 36 (C) of RA No. 9710 states that:

> *Generation and Maintenance of GAD Database. All departments, including their attached agencies, offices, bureaus, state universities and colleges, government-owned and – controlled corporations, local government units, and other government instrumentalities shall develop and maintain a GAD database containing, gender statistics and sex-*

disaggregated data that have been systematically gathered, regularly updated; and subjected to; gender analysis for planning, programming, and policy formulation.

8.11. Also, Item 5.2 (c) of PCW MC No. 2011-01 requires that the GFPS shall lead in setting up appropriate systems and mechanisms to ensure the generation, processing, review and updating of SDD or GAD database to serve as basis in performance-based gender responsive planning.

8.12. However, review of the SDD submitted to the Audit Team by PCIC HO on February 2, 2024 disclosed similar data provided in previous years, i.e., the report only showed the number of PCIC male and female employees and its client-farmers and fisherfolk by region and insurance lines.

8.13. Likewise, as can be gleaned from the GAD analysis and Harmonized Gender and Development Guidelines (HGDG) Scorings conducted by the PCIC RO No. XII, these were primarily focused on client-related aspects. However, the GAD analysis only consisted of the product lines, number of males, number of females, percentage of males and percentage of females.

8.14. As noted in prior years' audit, the database maintained by the PCIC has been insufficient in identifying gender issues. As at audit date, the PCIC has not gathered the SDD through GAD Survey Questionnaire or any similar methods. Thus, in the absence of GAD sex-disaggregated database, the PCIC lacked the necessary inputs or basis for the proper planning, programming, and policy formulation necessary in the preparation of the GPB and its specific PAPs in addressing the gender issues of its employees and beneficiaries/clients as required under RA No. 9710 or the Magna Carta of Women and PCW-NEDA-DBM JC No. 2012-01. Thus, the reported GAD interventions in the FY 2023 GPB and GAD AR were not based on gender analysis.

8.15. In view of the limited data gathered by the PCIC as basis for gender analysis, identification of gender issues needed in the performance-based gender responsive planning to be addressed by the PCIC could not be properly performed, including the proper attribution of the major program/project using the HGDG tool.

The CY 2023 GAD AR was not furnished to the Audit Team within the prescribed period

8.16. The PCW issued MC No. 2023-05 to set the deadline of the submission of the FY 2023 GAD ARs for GOCCs on March 1, 2024. Item 2.1 thereof states that the PCW does not endorse GAD ARs, unlike GPB. Nonetheless, Section 10.2 of PCW-NEDA-DBM JC No. 2022-01 requires that:

> *Xxx. An advance copy of the GAD ARs shall be provided to the COA Audit Team on or before 10th of January of the*

ensuing year, or until further circular is issued, for post-audit purposes.

8.17. Likewise, Item V of COA Circular No. 2014-001 provides that:

> *V. RESPONSIBILITY OF THE AUDITED AGENCY –*
>
> *The auditee agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case may be. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the succeeding year.*

8.18. Inquiry with the HO GAD Focal Person disclosed that the PCIC submitted to PCW the FY 2023 GAD AR, but the same is still under review. Management submitted via electronic mail the GAD AR only on May 14, 2024 to the Audit Team, contrary to Section 10.2 of PCW-NEDA-DBM JC No. 2022-01, despite request for the said report discussed personally to concerned GAD Focal Person in a meeting prior to the issuance of the Audit Observation Memorandum on GAD in February 2024, thus, affected the Audit Team's timely review thereof.

Non-assignment of RC and RC Codes for the GFPS to account for the GAD expenses and other GAD-related financial transactions, contrary to COA Circular No. 2021-008 dated September 6, 2021

8.19. Section 4 of COA Circular No. 2021-008 dated September 6, 2021 prescribes the following guidelines and procedures for the creation/assignment of RC and RC codes for the GFPS.

> *4.2. Government entities shall establish their own responsibility accounting by creating or assigning RCs and RC codes;*
>
> *4.3. Xxxx*
>
> *4.4. A separate RC and RC code for the GFPS assigned by the entity concerned shall serve as the RC for GAD-related expenses;*
>
> *4.5. The RC for GFPS assigned or created shall be under the office of the agency head for NGAs and GCs, xxx; and*
>
> *4.6. The RC code assigned for GFPS shall be reflected xxx in any computerized or manual accounting system implemented by the government entity concerned.*

8.20. As noted in the previous year's audit, the PCIC-HO Finance Department agreed to comply with the audit recommendation, however the RC and RC Codes have not yet been created/assigned to date for the generation of GAD reports/schedules for the PCIC. In view of the non-compliance with the provision in the afore-mentioned COA Circular, monitoring and proper accounting of the GAD expenses and related financial transactions could not be readily performed.

8.21. **We recommended that Management require the Chairperson of the GFPS to:**

a. **Ensure that the Annual GPB of the PCIC be endorsed by the PCW, moving forward;**

b. **Formulate the six-year GAD Agenda in accordance with PCW MC No. 2018-04, duly signed by the PCIC President and submit the same to the PCW for review; and**

c. **Furnish the COA Audit Team with the advance copy of the GAD AR submitted to the PCW, in compliance with Section 10.2 of PCW-NEDA-DBM JC No. 2022-01.**

8.22. **We also reiterated our prior years' audit recommendations that Management require the:**

a. **Finance Department to establish responsibility accounting by creating or assigning RC and RC codes for GFPS in compliance with COA Circular No. 2021-008; and**

b. **GFPS to systematically gather relevant SDD and gender statistics to establish a comprehensive GAD database for effective planning, programming, and policy formulation and ensure the data are regularly updated.**

8.23. The following are the comments of the PCIC Management:

a. In HO, they committed to comply with the audit recommendations. Moreover, the Acting Manager, Finance Department commented that starting CY 2024, they will be assigning personnel to determine the cost related to GAD. She added that they will request their IT Department to include RC Codes for GAD expenses.

b. In RO No. XII, they commented that sex disaggregation can be done in their PABS for those insured in their programs and services. They also mentioned that the HGDG Scoring is centralized in which they were only given the checklist score which is 9.04 per cent.

8.24. As an audit rejoinder, the Audit Teams will continuously monitor the full implementation by the PCIC of the audit recommendations.

COMPLIANCE WITH PROPERTY INSURANCE LAW

9. In CY 2023, the PCIC complied with the rules and regulations on the insurance of all insurable assets as required under RA No. 656, otherwise known as the "Property Insurance Law", as amended by PD No. 245 dated July 13, 1973. In CY 2023, the PCIC insured its various properties with the GSIS. Premiums paid amounted to P1.262 million, breakdown shown in Table 27.

Table 27 – Premiums Paid in CY 2023

Particulars	Sum Insured	Premiums Paid
Machinery, equipment and furniture and fixtures	P 43,634,529	P 312,731
Transportation equipment	171,360,701	949,543
Total	**P 214,995,230**	**P 1,262,274**

COMPLIANCE WITH TAX LAWS

10. For the period January to December 2023, the taxes withheld and remitted to the BIR by the PCIC amounted to P26.409 million and P21.845 million, respectively, breakdown shown in Table 28.

Table 28 - Taxes Withheld and Remitted to BIR in CY 2023

Particulars	Withheld	Remitted	Balance
Taxes on compensation and employee benefits	P 15,478,513	P 12,470,256	P 3,008,257
Percentage taxes	5,758,242	4,871,684	885,558
Expanded withholding taxes	3,528,809	3,150,973	377,836
Documentary Stamp Tax	776,551	682,761	93,790
Premium Tax	866,716	668,868	197,848
Total	**P 26,408,831**	**P 21,844,542**	**P 4,564,289**

10.1. Out of the balance in the amount of P4.564 million, the amount of P4.547 million was remitted in January 2024. The net amount of P16,632 pertained to the amount refunded to an employee and the adjustments made in HO in January 2024, while the amount of P920 is still subject for reconciliation of the PCIC HO.

10.2. **We reiterated our previous years' recommendations that Management require the:**

a. **Accounting Division of the HO to:**

a.1. **Perform monthly reconciliation, verification, review and monitoring of transactions on taxes to ensure correctness of the amounts withheld, remitted and recorded in the GL; and**

a.2. **Prepare the necessary adjustments in the Due to BIR account and remit the unremitted amount to the BIR, if warranted; and**

b. **OIC Accounting Division and the Acting Finance Manager to review the taxes withheld for remittance, to ensure the correctness and timeliness of monthly remittance to the BIR.**

10.3. Management agreed to comply with the audit recommendation.

COMPLIANCE WITH GSIS, PAG-IBIG, AND PHILHEALTH LAWS/REGULATIONS

11. The pertinent provisions of Section 6 of RA No. 8291, otherwise known as the GSIS Act of 1997; RA No. 7742, or an Act amending PD No. 1752, known as the Pag-IBIG Fund Law; and Section 20 of Rule III, Title III of the revised IRR of the National Health Insurance Act of 1995 or RA No. 7875, as amended by RA No. 9241 were duly complied with. For CY 2023, the PCIC premium contributions withheld and remitted to the GSIS, Pag-IBIG and PhilHealth is presented in Table 29.

Table 29 – GSIS, Pag-IBIG and PhilHealth Contributions Withheld and Remitted in CY 2023

Particulars	Withheld	Remitted	Balance
GSIS	P 25,326,483	P 22,287,699	P 3,038,784
Pag-IBIG	1,764,719	1,713,979	50,740
PhilHealth	5,924,128	5,408,592	515,536
Total	**P 33,015,330**	**P 29,410,270**	**P 3,605,060**

11.1. The contributions of P3.039 million, P50,740 and P430,863 for GSIS, Pag-IBIG and PhilHealth, respectively, were remitted in January 2024. The remaining PhilHealth contributions amounting to P84,673 is the net difference subject for reconciliation of the PCIC HO.

11.2. **We reiterated our previous years' audit recommendation that Management require the Accounting Division to reconcile the over/under remittances noted by verifying the amounts shown in the remittance forms against the amounts withheld and recorded in the book of accounts, and remit the unremitted balance, if warranted.**

11.3. Management agreed to comply with the audit recommendation. The Finance Department instructed the Accounting Division to regularly update and monitor the SLs and schedules to ensure that the balances reported in the GL controlling accounts are accurate and supported by detailed records.

DIVIDENDS DUE TO THE NATIONAL GOVERNMENT

12. For CY 2023, pursuant to RA No. 7656 or an Act Requiring Government-Owned or-Controlled Corporations to Declare Dividends Under Certain Conditions to the National Government, and for Other Purposes, the PCIC declared dividend to the NG in the amount of P772.993 million representing 100 per cent of the CY 2023

Net income on May 2, 2024 under the PCIC Board Resolution No. 2024-4. The dividend was remitted to the BTr on April 5, 2024.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

13. As of December 31, 2023, the unsettled audit disallowances and charges amounted to P8.368 million and P14,575, respectively, as summarized in Table 30, with details and status presented in **Annex A**, Part IV of this Report. There was no unsettled audit suspension as at year-end.

Table 30 – Summary of Audit Suspensions, Disallowances and Charges for CY 2023

Particulars	Beginning Balance	Adjustments	Adjusted Beginning Balance	Issuances	Settlements	Ending Balance
Disallowances	P 9,647,810	P582,204	P 10,230,014	P 14,180	P 1,866,541	P 8,367,653
Suspensions	-		-	-	-	-
Charges	14,575	-	14,575	-	-	14,575
Total	**P 9,662,385**	**P 582,204**	**P 10,244,589**	**P 14,180**	**P 1,866,541**	**P 8,382,228**

13.1. **We reiterated our previous years' recommendation that Management vigorously enforce the settlement/collection of the outstanding disallowances especially those that have become final and executory by regularly sending demand letters to persons liable.**

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 45 audit recommendations embodied in the prior years' Annual Audit Reports (AARs), 16 were implemented, 27 were not implemented, and two (2) were closed as the recommendations are no longer doable, details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
2022 AAR FINANCIAL Audit Observation (AO) No. 1 Page 64	The faithful representation in the financial statements and the verifiability of the balances as at December 31, 2022 of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P170.753 million, P3.884 billion, and P314.148 million, respectively, were not established, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Paragraphs 2.4, 2.13 and 2.30 of the Conceptual Framework for Financial Reporting (CFFR), 2021 edition, in view of the: (a) non-maintenance of Subsidiary Ledgers (SLs) to support the General Ledger (GL) balances of eight (8) Receivables-current and non-current accounts in the aggregate amount of P40.488 million, 17 Liabilities-current accounts in the total amount of P189.470 million, and one (1) Trust Liability – non-current account in the amount of	We reiterated our previous years' audit recommendations that Management direct the Finance Manager and the Regional Managers to instruct the Accounting Division in the HO and the Administrative and Finance Division (AFD) in ROs to:	Updated and reiterated in Part II - Observation and Recommendation No. 1 of this Report.
		a. Religiously maintain/ update complete SLs and schedules to support the balances of the GL controlling accounts and reconcile the schedules with the balances per GLs and SLs; and	Not Implemented.
		b. Verify/analyze immediately the variances by examining records and source documents as basis for appropriate adjustments, for fair presentation of the Receivables and Liabilities accounts in the financial statements.	Not Implemented.
		We also recommended that Management instruct the Planning and Management Information Office (PMIO) to fast track the development of the module integrating the generation of the SLs in the PFMS with the end-in-view that generated SL summary report for each GL control account would aid the Accounting Division in the HO and AFD in	Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	P93.791 million; and (b) variances in the total absolute amounts of P19.922 million and P180.868 million between the balances of the GLs and the SLs of eight (8) Receivables and 15 Liabilities accounts, respectively, which remained unreconciled at year-end.	the ROs in ensuring that the SLs balances and the corresponding GL control accounts are reconciled at any given time.	
	Other observations on Receivable account		
	a. Existence of abnormal/negative balances in the total amounts of P118,436 and P436,779 in Receivables and Liabilities accounts, respectively.	We reiterated our previous years' audit recommendation that Management direct the Finance Manager and the Regional Managers concerned to instruct the Accounting Division in HO and the AFD in RO Nos. I, III, VII and X to exert utmost efforts to trace prior years' accounting entries which caused the abnormal/negative balances on the Receivable and Liabilities accounts and make the necessary adjustments thereon.	Not Implemented.
	b. Dormant receivables in the aggregate amount of P119.868 million remained in the books of Head Office (HO) and Regional Office (RO) Nos. I, II, III, III-A, IV, V, VI, VII, VIII, IX, X and XII for more than 10 years due to the absence of supporting documents.	We reiterated our previous years' audit recommendations that Management direct the Finance Manager and the Regional Managers concerned to instruct the Accounting Division in HO and the AFD in RO Nos I, II, III, III-A, IV, V, VI, VII, VIII, IX, X and XII to:	
		a. Intensify collection efforts on all outstanding receivables by regularly sending demand letters to all debtors/clients; and	Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		b. File request for write-off of dormant receivables aged 10 years or more which collectability is already remote or nil, following the procedures under COA Circular No. 2016-005.	Not Implemented.
AO No. 2 Page 74	Unreleased checks and stale checks in seven (7) ROs in the aggregate amounts of P96.633 million and P3.930 million, respectively, or in the total amount of P100.563 million, were not reverted back to the Cash in bank account at year-end, thus understating the balance of Cash and cash equivalents account and corresponding liability accounts by the same amount, contrary to Paragraph 15 of the PAS 1 and Paragraphs 2.4 and 2.13 of the CFFR, 2021 edition.	We recommended that Management direct the Regional Managers of RO Nos. II, III-A, V, VI VII, X and XI to instruct the AFD to adhere strictly to the relevant guidelines on financial reporting of unreleased and stale checks prescribed in the Government Accounting Manual for National Government Agencies, Volume I, and prepare the necessary adjusting entries to revert back the unreleased and stale checks in the aggregate amount of P100.563 million to fairly present the Cash and cash equivalents and corresponding liability accounts in the financial statements. We further recommended that Management direct the Department Manager of the PCIC Business Development and Marketing Department in coordination with the Head of Risk Management Office and Regional Managers to:	Not Implemented. Updated and reiterated in Part II - Observation and Recommendation No. 2 of this Report.
		a. Identify issues and concerns encountered by each of the ROs relative to the distribution of indemnity claims checks to beneficiary-farmers and fisherfolk; and	Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		b. Formulate concrete strategies to address the issues and concerns on the distribution of indemnity claim checks to ensure that the objective on speedy/ timely assistance through the benefits from agricultural insurance as intervention measures provided by the PCIC to the beneficiary-farmers and fisherfolk are met and to minimize the accumulation of unreleased and stale checks.	Not Implemented.
AO No. 3 Page 76	The correctness of the balance of Inventories - semi-expendable property account in carrying amount of P6.816 million as at December 31, 2022 could not be ascertained due to variance in absolute amount of P12.012 million between the balances per books and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) in the absence of the Report on the Physical Count of Semi-Expendable Property (RPCSP), which could be attributed to errors in identification and reclassification of tangible items with acquisition cost below P50,000 from Property, Plant and Equipment (PPE) account to Inventories-semi-expendable property account.	We recommended and Management agreed to direct the Finance Manager and the Regional Managers concerned to instruct the Accounting Division in the HO and AFD in RO Nos. II and VI to verify/analyze the variance by examining the list of items in the RPCPPE, JEVs and relevant documents to properly identify items with acquisition cost below the P50,000 capitalization threshold and, make necessary corrections/ adjustments in the records affected to fairly present the balance of the Inventories-semi-expendable properties account in the financial statements.	Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	Other Observation on Inventories – Semi-expendable property account		
	a. In HO and RO Nos. VI and XI, the preparation and maintenance of the prescribed Annexes in COA Circular No. 2022-004, to strengthen the controls over the semi-expendable properties were not complied with.	We recommended and Management agreed to direct the:	
		a. Finance Manager and Administrative Manager in HO and Regional Managers to instruct the Accounting Division and Property Management and General Services Division (PMGSD) in HO and the AFD in RO Nos. VI and XI to prepare and maintain all the prescribed annexes per COA Circular No. 2022-004 dated May 31, 2022, to strengthen the controls over the semi-expendable properties; and	Implemented.
		b. Regional Manager of RO No. III to designate a permanent employee to act as the Head of the Property Unit.	Implemented.
AO No. 4 Page 79	The fair presentation of the balance of the PPE account in the financial statements as at December 31, 2022 in the carrying amount of P78.733 million was not established due to variances: (a) in the amount of P3.231 million between the balances in the RPCPPE and Accounting records of the HO and RO No. III; and (b) in the amount of P2.002 million and in absolute amount	We reiterated our previous years' audit recommendations that Management direct the Finance Manager, Administrative Department Manager and the Regional Managers to instruct the Accounting Division and PMGSD in HO and the AFD in the ROs to:	Updated and reiterated in Part II - Observation and Recommendation No. 3 of this Report.
		a. Determine the causes of the variances noted in the PPE accounts between books, RPCPPE and LS and effect the necessary corrections/adjustments on	Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	P2.726 million in the acquisition cost and Accumulated depreciation between the books and Lapsing Schedule (LS), respectively, in the HO and RO Nos. III-A, VIII and X, contrary to Paragraph 15 of PAS 1 and Paragraphs 2.4, 2.13 and 2.30 of the CFFR, 2021 edition.	the affected records to arrive at reconciled balances at each reporting period. Henceforth, reconcile regularly the PPE balances among the books, LS and RPCPPE;	
		b. Prepare the complete set of PPE Ledger Cards (PPELCs), Property Cards (PCs), registries and reports to support the PPE account; and	Implemented.
	Other Observations on PPE account a. Unserviceable properties with a total acquisition cost of P6.969 million in the HO and RO Nos. I, III, VI, VII, VIII, IX, X and XII have not been disposed of contrary to Section 79 of Presidential Decree (PD) No. 1445.	c. Consider availing the one-time cleansing of the PPE account balances in accordance with COA Circular No. 2020-006 dated January 31, 2020, to address the perennial issue on unreconciled balances between the accounting and property records and the RPCPPE. We also recommended that Management direct the:	Not Implemented.
	b. Lapses were noted in the conduct of physical count of PPE items in the HO.	d. PMIO Department Manager to instruct the Information Technology Officer to consider integrating in the PFMS the maintenance of PPELCs and PCs;	Not Implemented.
		e. Administrative Department Manager and Regional Managers concerned to expedite the disposal of all the unserviceable properties to avoid further deterioration and decline in value and to generate additional funds for the PCIC, in consonance with Section 79 of PD No. 1445,	Not Implemented

Reference	Observations	Recommendations	Actions Taken/ Comments
		NBC No. 425 and COA Circular No. 89-296; and	
		f. Inventory Committee of HO to:	
		f.1. Prepare a Physical Inventory Plan for approval by the PCIC President, which would contain, among others, the specific assignments/duties of the Committee members, cut-off date and a schedule specifying the dates and locations of the inventory taking activities from start up to the targeted completion of the physical inventory; and	Implemented.
		f.2 Tag each PPE item counted, for easy identification, which would include the Property Number in the property sticker, in addition to the following vital information on the PPE item: (i) description of the property; (ii) model number; (iii) serial number; (iv) acquisition date/cost; (v) person accountable; and (vi) space for the validation/signature of the Inventory Committee.	Implemented.
NON-FINANCIAL AO No. 5 Page 87	In CY 2022, the PCIC was able to insure 2,355,789 farmers and fisherfolk, exceeding its	We commended Management for surpassing their set production targets in CY 2022 in terms of number of farmers	Updated and reiterated in Part II - Observation and Recommendation

Reference	Observations	Recommendations	Actions Taken/ Comments
	target of 2,291,897 farmers and fisherfolk by 63,892 out of the allocated Government Premium Subsidy (GPS) of P4.500 billion for the Registry System for Basic Sectors in Agriculture (RSBSA) Program. However, some of the production outputs were below the respective targets, resulting in overall shortfall by 44,197 or 1.13 per cent of the actual number of area/head/policies of 3,866,426 vis-à-vis the target of 3,910,623, and thus, the full attainment of the main objective of the RSBSA Program of providing insurance protection to farmers and fisherfolk against losses arising from natural calamities, plant diseases and pest infestations of their palay and corn crops as well as other crops was somewhat affected during the year, considering the following:	and fisherfolk for the Rice, Corn, HVC and Non-crop insurance lines and providing insurance protection to the intended beneficiaries in accordance with the PCIC's mandate. We reiterated our prior years' recommendations that Management direct:	No. 5 of this Report.
		a. The Regional Managers to: (i) instruct the Marketing and Sales Division (MSD) in the ROs and the underwriters to vigorously promote insurance lines with under or low production to ensure attainment of set targets annually; and (ii) ensure that set production targets in terms of the number of farmers and fisherfolk for all insurance lines are met, if not surpassed, to fully attain the objectives of the RSBSA Insurance Program of providing free insurance protection to the most number of subsistence farmers and fisherfolks;	Not Implemented.
	a. Shortfall of 47,891 farmers and fisherfolk between the target of 528,476 and the actual number of farmers and fisherfolk insured for Livestock and Fisheries insurance lines of 480,585;	b. All officers and employees involve in the underwriting process to exercise due diligence in the handling and encoding of data, as well as, review of the encoded data to ensure that generated records and reports are complete and free from errors; and	Not Implemented.
	b. Negative variances on the utilization of allocated GPS in the	c. The PMIO Department Manager to instruct the Information Technology Officer to address	Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	amounts of P31.760 million and P55.015 million for insurance lines of High Value Crop (HVC) and Livestock between the budget targets of P416.426 million and P618.511 million vis-à-vis the actual productions of P384.666 million and P563.496 million, respectively; and c. Shortfalls of 17,163; 66,301; and 3,812 on area/head/policies on HVC, Livestock and Fisheries insurance lines between the production targets of 265,435; 1,928,289; and 6,395 and actual accomplishments of 248,272; 1,861,988; and 2,583, respectively. **Other Observations on RSBSA Insurance Program** a. Amounts of Cover (ACs) indicated in 11,902 Insurance Covers were more than the allowed limits, contrary to the Implementing Guidelines of the RSBSA Insurance Program. b. Ninety-nine insurance covers of subsistence	immediately the recurring issues on absence of embedded controls in PABS, particularly to embed controls with regard to limitations on ACs, agricultural area and number of heads of livestock provided in the Implementing Guidelines of the RSBSA Insurance Program to minimize, if not eliminate, over insurance coverages	

Reference	Observations	Recommendations	Actions Taken/ Comments
	farmers and fisherfolk were more than the allowed agricultural area and number of heads of livestock, contrary to the limitations under the Implementing Guidelines of the RSBSA Insurance Program.		
AO No. 6 Page 94	The settlements by all PCIC ROs of indemnity claims in the total amount of P2.966 billion to 475,436 farmers and fisherfolk insured under the various insurance programs/lines were delayed based on the prescribed period of settlement under the PCIC's Operations Manual, thereby, defeating the purpose of providing speedy/timely assistance to farmers and fisherfolk in the restoration of their farmlands, farm properties as well as non-crop agricultural assets after occurrence of loss or damage arising from natural calamities, plant diseases and pest infestations of their palay, corn crops and other non-crop agricultural assets.	We reiterated our previous years' recommendations that Management direct the Regional Managers to:	
		a. Require the CAD to prioritize the processing of the indemnity claims, and the AFD to expedite the release of payments to farmers and fisherfolk within the prescribed period under the PCIC's Operations Manual, by designating personnel from other divisions/units especially during massive influx of indemnity claims; and	Not Implemented.
		b. Address the inadequacy in the number of personnel involve in the processing of indemnity claims to minimize delays in the settlement thereof to the farmers and fisherfolk.	Not Implemented.
GAD AO No. 7 Page 98	In CY 2022, the PCIC complied with the requirement of allocating at least five (5) per cent of the annual budget to GAD funds, considering that the amount of P1.720 billion or	We reiterated our previous year's audit recommendations that Management require the:	Updated and reiterated in Part II - Observation and Recommendation No. 8 of this Report.

Reference	Observations	Recommendations	Actions Taken/ Comments
	33.32 per cent of its duly approved FY 2022 Corporate Operating Budget (COB) was attributed to implement gender-related programs, activities and projects (PAPs) identified in the FY 2022 GAD Plan and Budget (GPB), which was duly endorsed by the Philippine Commission on Women (PCW). Likewise, based on the CY 2022 GAD Accomplishment Report (AR) submitted to PCW, the PCIC reported expenditures related to GAD in the aggregate amount of P7.415 billion. However, the CY 2022 PCW endorsed GPB and the GAD AR were not furnished to the Audit Team within the prescribed period, contrary to Item V of COA Circular No. 2014-001 dated March 18, 2014, while the assignment of Responsibility Center (RC) and creation of GAD RC Codes for the GAD Focal Point System (GFPS) to account for the GAD expenses and other GAD-related financial transactions have not been made, contrary to the pertinent provisions of COA Circular No. 2021-008 dated September 6, 2021.	a. GFPS to ensure that Item V of COA Circular No. 2014-001 is duly complied with; and b. Finance Department to establish responsibility accounting by creating or assigning RCs and RC codes for GFPS in compliance with COA Circular No. 2021-008.	Not Implemented. Not Implemented.
CY 2021 AO No. 2 Page 74	The computation of provision of Allowance for Impairment for Receivables - Current	We recommended that Management direct the Accounting Division to assess the Allowance for Impairment	Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	and Non-current accounts aggregating P110.588 million as of December 31, 2021 was not in accordance with Expected Credit Loss (ECL) model under Paragraphs 5.5.3 and 5.5.5 of the Philippine Financial Reporting Standard (PFRS) 9, thus, the fair values of the Receivables - Current and Non-current accounts with carrying amounts of P30.139 million and P12.395 million, respectively, as at December 31, 2021 were not reflected in the financial statements.	of the Receivables-Current and Non-current accounts based on the ECL model under Paragraphs 5.5.3 and 5.5.5 of PFRS 9 to reflect the fair value of the Receivables accounts in the financial statements as at December 31, 2021.	
AO No. 3 Page 77	The reliability of the Direct Cost – Insurance Benefits account of P4.211 billion for the year 2021 could not be established due to unreconciled variance of P21.471 million between the total Insurance Benefits paid during the year of P2,848.800 million per books vis-a-vis the claims paid of P2,870.271 million as reported in the Consolidated Claims Register (CCR) generated by the PCIC Automated Business System (PABS), contrary to Paragraph 15 of PAS 1 and Paragraph 2.13 of the CFFR.	We reiterated our prior year's audit recommendations that Management:	
		a. Instruct the Accounting Division in HO and the Claims and Adjustment Division (CAD) of PCIC ROs to coordinate on a monthly basis and ensure that the amounts reported in the detailed Statement of Comprehensive Income (SCI) and CCR for Insurance Benefits paid are reconciled, and make appropriate adjusting entries or corrections in the affected records, if warranted;	Implemented.
		b. Require the CAD and Regional Managers (RMs) to review thoroughly the data encoded in PABS, including the supporting	Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		documents, prior to on-line approval, to ensure completeness and prevent occurrence of error in encoding; and	
		c. Require the PMIO to generate a copy of the CCR on a monthly basis for verification and validation by the Accounting Division to detect errors, if any, and submit report thereon to the PMIO so that the same would be addressed promptly by the latter.	Implemented.
AO No. 5 Page 85	The variance amounting to P7.973 million in the utilization of Agri-Agra fund between the amounts recorded in the books of P1,369.881 million and in the Highlights of Regional Operations (HRO) of P1,361.908 million casts doubt on the reliability of the balance of the Trust Liabilities - Agri-Agra account of P1,936.231 million as at December 31, 2021, contrary to Paragraph 15 of PAS 1 and Paragraph 2.13 of the CFFR.	We recommended that Management require the HO Accounting Division to reconcile the variance of P7.973 million on the CY 2021 utilization of the Agri-Agra Fund between the books and HRO.	Implemented.
AO No. 9 Page 98	The PCIC attained its overall production targets of providing insurance cover to subsistence farmers/fisherfolk from the Agri-Agra Fund of P3,306.112 million for CY 2021, as the actual utilization of the Fund of P1,361.908 million; number of farmers/ fisherfolk insured totaling	We recommended that Management, henceforth, meticulously set production targets for the Agri-Agra Fund to ensure maximum utilization of the Fund and to cover/insure more subsistence and marginal farmers/fisherfolk.	Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	605,240; and number of area/head/policy produced of 1,049,553 had exceeded the overall production targets of P700 million; 172,573 farmers/fisherfolk; and 368,456 area/head/policy by P661.908 million, 432,667 farmers/ fisherfolk and 681,098 area/head/policy, respectively. However, the PCIC could have had set higher targets for the different insurance programs/lines so that the Fund allocation for CY 2021 would have been fully utilized during the year to cover/insure more subsistence farmers/fisherfolk. Likewise, the production targets set for the number of farmers/fisherfolk to be covered, area/head/ policy and amount of Fund in the CLTI line were not achieved showing under production rates of 96.56 per cent, 99.81 per cent and 99.04 per cent, respectively.		
<u>2020 AAR</u> AO No. 6 Page 74	The late submission of underwriting documents in RO Nos. IV and VI by the Underwriting Agents (UA) within 15 calendar days prescribed in the Operations Manual on Rice and Corn Insurance, resulted in the understatement of Insurance Premium account in the Statement	We recommended that Management require the: a. Officer-in-Charge (OIC)-RM in RO No. VI to send to UAs the final notice on the submission of underwriting documents and to inform them that all unconfirmed OSDA remittances will be recognized as income;	 Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	of Comprehensive Income and overstatement of Other Deferred Credits account in the Statement of Financial Position by P8.057 million.	b. OIC-RMs in RO Nos. IV and VI to strictly monitor compliance by the OIC-Chief, MSD with the PCIC Operations Manual on Rice and Corn Insurance; and	Not Implemented.
		c. Administrative and Finance Division (AFD) of RO Nos. IV and VI to adjust the Insurance/Reinsurance Premium account, as warranted to recognize the income earned for the period.	Not Implemented.
AO No. 15 Page 101	Discrepancies in the amounts of P9,172, P16,304 and P26,312 for Compensation, Expanded Withholding Taxes and Percentage Tax, respectively, between the amount of taxes withheld per books and amount remitted for the CY 2020 were observed in the HO due to the absence of proper monitoring of amounts withheld *vis-à-vis* remittances to the BIR, lack of review by the OIC – Accounting Division for the remittances made, thus, exposing PCIC to possible imposition of charges, interests and penalties by the BIR. Recording of penalties imposed by the BIR was under the Due to BIR account, thus, likewise exposing PCIC to possible imposition of charges, interests, and penalties thereon by the BIR.	We recommended that Management:	
		a. Require the Finance Manager to assign personnel from the Accounting Division to prepare and maintain records for monitoring of all taxes withheld and remitted to ensure the accuracy of taxes withheld and remitted recorded in the books;	Implemented.
		b. Require the Accounting Division to reconcile the over/under remittances noted by verifying the data shown in the BIR forms vis-à-vis taxes withheld as recorded in the books covering CY 2020, and make necessary adjustments, if warranted, by making additional remittances to the BIR or by adjusting the Due to BIR account. Likewise, make the necessary adjusting entries on the erroneous recording of penalties amounting to P28,656;	Not Implemented. Updated and reiterated in Part II - Observation and Recommendation No. 10 of this Report.

Reference	Observations	Recommendations	Actions Taken/ Comments
		c. Require the accountable officers to pay for the penalty of P28,656 paid by the PCIC; and	Closed. For issuance of Notice of Disallowance.
		d. Require the OIC – Accounting Division Chief and Finance Manager to review the taxes withheld for remittance to ensure the correctness and timeliness of monthly remittance to the BIR.	Implemented.
2019 AAR AO No. 6 Page 74	The inadequate identification/accounting of taxable income and deductible expenses for the purpose of determining whether there are income tax dues exposes the Corporation to penalties that may be imposed for the non-payment thereof for a period of at least 10 years or covering the taxable years 2010 to 2019. For taxable years 2013 to 2019 alone, income tax due, gross of unaccounted taxable insurance premiums and direct cost attributable to taxable income, was partially computed at P169.208 million, the non-settlement thereof is contrary to PD No. 1931 and Executive Order (EO) No. 93, Series of 1986.	We recommended that Management require the Finance Department to:	
		a. Exert their best efforts in analyzing income and expense accounts to identify amounts of the taxable income and deductible expenses for CY 2019 and prior years, including prior period adjustments, to come up with an accurate income tax computation;	Implemented.
		b. File immediately the amended Income Tax Return (ITR) with consideration of income tax computation for taxable year 2019 and prior years using Bureau of Internal Revenue (BIR) Form No. 1702-MX;	Implemented.
		c. Facilitate the issuance of guidelines to RO accountants on the proper identification and classification of the income and expense for each class/funding source (RSBSA, special	Closed. The recommendation no longer doable.

Reference	Observations	Recommendations	Actions Taken/ Comments
		agricultural insurance programs funded by Agri-Agra and farmer, lending institution, and government share in the regular insurance program) prior to recording in the books of accounts; and	
		d. Prepare the SLs for taxable and non-taxable income as well as deductible and non-deductible expense for easier computation of income tax due.	Not Implemented. Updated and reiterated in Part II - Observation and Recommendation No. 1 of this Report.
2015 AAR PCIC-SRTF AO No. 2 Page 95	There are no more claimants as well as developments related to the primary purpose for which the Trust Liabilities-Special Revolving Trust Fund (SRTF) was created; thus, its existence is not any longer essential and the remaining cash of P301.717 million as at December 31, 2015 could already be considered unnecessary special and trust fund as defined under Section 3.4 of the Department of Finance (DOF), DBM and COA Permanent Committee Joint Circular No. 4-2012 dated September 11, 2012.	We recommended that Management: a. Review and evaluate whether the purpose for which the SRTF has been established is already accomplished and if the Fund is no longer needed, return the remaining cash to the NG pursuant to EO No. 431; and b. Require the Finance Department to make the necessary reconciliation, consolidation, adjustment, and closing of the books of accounts of SRTF when the same is no longer needed.	Updated and reiterated in Part II - Observation and Recommendation No. 4 of this Report. Not Implemented. Not Implemented

PART IV - ANNEX

DETAILS AND STATUS OF UNSETTLED AUDIT DISALLOWANCES AND CHARGES
As of December 31, 2023

I. NOTICES OF DISALLOWANCE (NDs)

ND No./Date	Person(s) Liable	Nature	Amount	Status
A. NDs within the Reglementary Period to file Appeal - [1 ND]				
Regional Office (RO)				
RO No. XII				
23-001-101-(20)/ September 20, 2023	Regular Employees and Job Order Personnel of PCIC	Payment of hazard pay to Regular Employees and Job Order Personnel in May 1-15, 2020	P 4,750.00	With Notice of Settlement of Suspension, Disallowance and Charge (NSSDC) issued in the amount of P9,430 in calendar year (CY) 2023. Remaining unsettled amount refers to non-settlement by the resigned personnel.
Total			**4,750.00**	
B. NDs with Notices of Finality of Decision (NFDs)/Attained Finality - [15 NDs]				
RO No. II				
ND No. 2021-001-(2020) [PCIC-RO2]/ November 2, 2021	PCIC Employees and Job Orders	Payment of Christmas Tokens without specific legal authority	510,000.00	For issuance of Notice of Finality of Decision (NFD).
RO No. III				
2021-001 (2019)/ November 29, 2021	PCIC officers and employees	Christmas Tokens	97,500.00	With unnumbered NFD dated December 13, 2022. For issuance of COE. With settlement totaling P320,500.00 in CY 2023.
RO No. III-A				
PCIC-2021-001(2019)/ December 14, 2021	PCIC officers and employees	Payment of Christmas Tokens in the form of groceries for CY 2019	67,500.00	With NFD No. 2023-001 dated January 4, 2023. For issuance of COE. With settlement of P80,600 in CY 2023.
RO No. IV				
2021-001-(2019)/ November 29, 2021	PCIC officers, employees, and Board of Directors	Grant of Christmas Tokens in the form of Gift Checks for CY 2019	31,000.00	With NFD No. 2023-001 dated January 10, 2023. With settlement of P521,000 and P8,000 in 2022 and 2023, respectively.

ND No./Date	Person(s) Liable	Nature	Amount	Status
RO No. V				
ND No. 2021-001 GAF (19)/ December 6, 2021	PCIC officers and employees	Christmas Token-no specific legal authority	33,500.00	With NFD No. 2023-01 dated January 3, 2023. For issuance of COE. With settlement of P2,500, P331,000 and P48,500 in CYs 2021, 2022 and 2023, respectively.
RO No. VIII				
ND No. 2021-08-001 (19)/ September 8, 2021	PCIC officers and employees	Christmas Grocery	58,000.00	For issuance of NFD and COE. With partial settlement of P391,000.00 in CY 2023.
ND No. 2020-11-001 (2015)/ May 11, 2020	PCIC officers and employees	Supplies	3,204.32	For issuance of NFD and COE.
ND No. 2018-06-004(2017)/ July 19, 2018	PCIC officers and employees	Advertising Expense	1,422.67	With NFD No. 2020-001 dated October 2, 2020 and RO No. VIII COE No. 2021-003 dated January 6, 2021.
ND No. 2018-06-003(2017)/ July 19, 2018	PCIC officers and employees	Advertising Expense	1,066.67	With NFD No. 2020-002 dated October 2, 2020 and RO No. VIII COE No. 2021-002 dated January 6, 2021.
ND No. 2018-06-002(2017)/ July 19, 2018	PCIC officers and employees	Funeral wreath	1,000.00	With NFD No. 2020-003 dated October 2, 2020 and RO No. VIII COE No. 2021-001 dated January 6, 2021.
ND No. 2015-001-CF (2014)/ January 7, 2015	PCIC officers and employees	Overpayment/excessive claim for insurance indemnity for palay crop damage, double insurance/ double payment of insurance claims	94,907.43	With unnumbered NFD dated September 29, 2017 and COE No. 2020-364 dated November 10, 2020.
ND No. 2014-001 (2010)/ February 25, 2014	PCIC officers and employees	Anniversary incentives CY 2010	80,800.00	For issuance of NFD and COE. With partial settlement of P49,200.
Sub-total – RO No. VIII			***240,401.09***	

ND No./Date	Person(s) Liable	Nature	Amount	Status
RO No. X				
2021-05-020GF (2019)/ December 02, 2021	PCIC Employees and Job Orders	Payment of Christmas Tokens without specific legal authority	110,760.00	For issuance of NFD and COE. On-going payroll deduction. With settlement of P276,248.75 and P210,521.25 in 2022 and 2023, respectively.
RO No. XI				
ND. No. 21-001-10102020-01-(19)	PCIC officers and employees	Payment of Christmas Tokens without specific legal authority	299,640.00	With NFD dated April 1, 2024. For issuance of COE.
RO No. XII				
21-001-101-(19)/ December 13, 2021	PCIC officers and employees	Payment of Christmas Tokens without specific legal authority	9,020.00	With NFD dated May 19, 2023. Remaining unsettled amount refers to non-settlement by the resigned personnel. With settlement of P277,500 and P4,480 in CYs 2022 and 2023, respectively.
Total			**1,399,321.09**	

C. NDs with Petition for Review before the Commission Proper (CP) - [4 NDs]

ND No./Date	Person(s) Liable	Nature	Amount	Status
HO				
ND No. 014-003-889(10)/ February 25, 2014	PCIC officers and employees	Overpayment of Anniversary Bonus	490,000.00	With Petition for Review before the CP.
ND No. 16-001-738(15)/ May 23, 2016	PCIC officials	No appropriation for medical allowances	387,182.22	-do-
ND No. 16-007-889(2015)/ September 30, 2016	PCIC officers and employees	Grant of Gift Check without legal authority	3,100,000.00	-do-
ND No.16-008-766(2014)/ September 30, 2016	PCIC officers and employees	Grant of Gift Check without legal authority	2,520,000.00	-do-
Total			**6,497,182.22**	

D. ND with Appeal Memorandum before the Corporate Government Audit Sector (CGAS) – Cluster 5 - [1 ND]

ND No./Date	Person(s) Liable	Nature	Amount	Status
HO				
ND No. 21-001-10102020-01-(19)/ September 06, 2021	PCIC officers and employees	Payment of Christmas Tokens without specific legal authority	462,000.00	With Appeal before the COA CGAS – Cluster 5
Total			**462,000.00**	

ND No./Date	Person(s) Liable	Nature	Amount	Status
E. ND with CGAS Cluster 5 Decisions – [1 ND]				
HO				
ND No. 014-004-751(13)/ April 25, 2014	PCIC officers and employees	Overpayment of travelling expenses and per diems	4,400.00	With COA CGAS-5 Decision No. 2017-017 dated March 14, 2017. For issuance of NFD.
Total			**4,400.00**	
Grand Total NDs			**P8,367,653.31**	

II. NOTICES OF CHARGE (NCs)

NC No./Date	Person(s) Liable	Nature	Amount	Status
RO VIII				
NC No. 2021-08-001(19)/ August 25, 2021	Collecting Officer	Unremitted collections	P 3,350.00	For issuance of NFD.
NC No. 2021-09-002/ September 21, 2021	Collecting Officer	Unremitted collections	7,000.00	-do-
NC No 2021-09-003/ September 29, 2021	Collecting Officer	Unremitted collections	500.00	-do-
NC No 2021-09-004/ September 29, 2021	Collecting Officers	Unremitted collections	1,425.00	-do-
NC No 2021-09-005/ September 29, 2021	Collecting Officer	Unremitted collections	2,150.00	-do-
NC No. 2021009-006/ December 17, 2021	Collecting Officer	Unremitted collections	150.00	-do-
Grand Total NCs			**P 14,575.00**	
Overall Total – NDs and NCs			**P8,382,228.31**	

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Crop Insurance Corporation (PCIC) was created as a socially-oriented agency under Presidential Decree (PD) No. 1467 dated June 11, 1978, as amended by PD No. 1733 dated October 21, 1980 and Executive Order (EO) No. 708 dated July 27, 1981 and further amended by Republic Act (RA) No. 8175 which was enacted on December 29, 1995. Its principal mandate is to provide insurance protection to the country's agricultural producers, particularly the subsistence farmers, against: (a) crop losses arising from natural calamities such as typhoons, floods, droughts, earthquakes and volcanic eruptions as well as plant diseases and pest infestations; and (b) non-crop agricultural asset losses due to perils for which the asset has been insured.

The PCIC's insurance programs consisted of regular and special insurance. Its regular insurance covers rice and corn crop insurance, high-value commercial crop insurance, and non-crop agricultural asset insurance. On the other hand, its special insurance program covers livestock insurance and term insurance power packages.

The PCIC is an agricultural insurer committed to help stabilize the income of agricultural producers and promote the flow of credit in the countryside by:

a. Providing insurance protection to qualified farmers and other agricultural stakeholders against losses of their crops and produce, including their farm machinery and equipment, transport facilities, and related infrastructure arising from natural calamities, pests and diseases, and other perils beyond their effective control; and

b. Extending innovative and client-responsive insurance packages and other services through people's organizations, including farmers' cooperatives, agricultural lenders, and service providers.

President Rodrigo Roa Duterte signed EO No. 148, dated September 14, 2021, transferring the PCIC from the Department of Agriculture (DA) to the Department of Finance (DOF) for policy and program coordination and general supervision. Pursuant to the same EO, the PCIC Board of Directors (BOD) is reorganized, as follows:

Chairperson	:	Secretary, DOF
Vice-Chairperson	:	Secretary, DA
Members	:	President, PCIC
		President, Land Bank of the Philippines
		President and General Manager, Government Service Insurance System
		Representative from the private insurance industry to be nominated by the Secretary of Finance
		Representative from subsistence farmer's sector, preferably representing agrarian reform beneficiaries/cooperatives/ associations, who shall be selected and nominated by the different farmers' organizations and/or cooperatives

The address of the PCIC's registered office is at 7th Floor, Building A, National Irrigation Administration Complex, EDSA, Diliman, Quezon City.

The PCIC has 13 Regional Offices (ROs) located nationwide and as of December 31, 2023, it had personnel complement of 185 regular employees; 1,264 under job order basis; and two (2) consultants.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2023	2022 As restated	Increase/ (Decrease)
Assets	7,960,889,025	8,911,677,077	(950,788,052)
Liabilities	5,281,814,997	6,932,978,402	(1,651,163,405)
Equity	2,679,074,028	1,978,698,675	700,375,353

II. Comparative Results of Operations

	2023	2022 As restated	Increase/ (Decrease)
Total income	1,721,346,156	1,490,299,769	231,046,387
Direct costs	4,511,399,616	5,036,518,819	(525,119,203)
Personnel services	224,199,436	224,609,015	(409,579)
Maintenance and other operating expenses	697,756,155	637,799,729	59,956,426
Financial expenses	196,803	136,580	60,223
Non-cash expenses	14,801,042	18,042,296	(3,241,254)
Total expenses	5,448,353,052	5,917,106,439	(468,753,387)
Loss before tax	(3,727,006,896)	(4,426,806,670)	699,799,774
Income tax expense/(benefit)	-	-	-
Loss after tax	(3,727,006,896)	(4,426,806,670)	699,799,774
Net assistance/subsidy	4,500,000,000	4,500,000,000	-
Net income	772,993,104	73,193,330	699,799,774
Other comprehensive income	-	-	-
Comprehensive income	**772,993,104**	**73,193,330**	**699,799,774**

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts and financial transactions of the PCIC for the period January 1 to December 31, 2023 in accordance with the International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of the presentation of the financial statements for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as, adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the PCIC in view of the faithful representation in the financial statements and the verifiability of the balances as at December 31, 2023 of the Receivables-current and non-current (net), Liabilities-current, and Trust liabilities-non-current accounts in the amounts of P51.681 million, P2.865 billion, and P322.336 million, respectively, were not established, due to missing/unavailable supporting documents, inability to regularly monitor the accounts and to maintain the Subsidiary Ledgers (SLs), and incomplete accounting records over the years, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Paragraphs 2.4, 2.13 and 2.30 of the Conceptual Framework for Financial Reporting (CFFR), 2021 edition. Consequently, the following deficiencies were noted in the keeping of the Receivables and Liabilities accounts:

a. Unreconciled absolute variances between the General Ledger (GL) and SLs of three (3) Receivables and 12 Liabilities accounts in the Head Office (HO) and ROs in the amounts of P215.315 million and P44.385 million, respectively;

b. Non-maintenance of SLs to support the GL balances of three (3) Receivables accounts in the total amount of P11.148 million and 15 Liabilities-current accounts in the aggregate amount of P128.269 million and one (1) Trust liability – non-current account in the total amount P1.551 million; and

c. Unaccounted transactions in three (3) Receivables GL accounts amounting to P1.315 million and 24 Liabilities GL accounts amounting to P7.316 million, net of abnormal (negative) balances.

For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1.1. Direct the Acting Finance Manager and the Regional Managers to instruct the Accounting Division in HO and the Administrative and Finance Division (AFD) in ROs to:

   a. Religiously maintain/update complete SLs and schedules to support the balances of the GL controlling accounts and reconcile the schedules with the balances per GLs and SLs; and

   b. Verify/analyze immediately the variances by examining records and source documents as basis for appropriate adjustments, for fair presentation of the Receivables and Liabilities accounts in the financial statements.

1.2. Require the:

   a. Planning and Management Information Office (PMIO) and Accounting Division in the HO to coordinate in further enhancing the module of SL integration in the PCIC Financial Management System (PFMS) to ensure that the financial transactions are accurately recorded in the SLs with required details and balances which shall be reconciled with the corresponding GL accounts every reporting period; and

b. Finance Department in the HO and AFD in the ROs to:

b.1. Effect the necessary adjustments in the accounting records to correct the variances in affected GL and SL balances; and

b.2. Exert utmost effort to account for the balances in the SLs recorded as "Others" in the Receivables and Liabilities accounts amounting to P1.315 million and P7.316 million, respectively, including the SLs on "Receivables-Disallowances/Charges" and "Miscellaneous", by tracing the transactions from available old records to establish the details of unaccounted/unsubstantiated account balances.

OTHER SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATIONS

The other significant audit observations and the corresponding recommendations that need immediate action follows:

2. The PCIC has not yet reverted the unutilized balance of the Special Revolving Trust Fund (SRTF) to the Bureau of the Treasury (BTr) amounting to P321.676 million, contrary to Section 29(3), Article VI of the Philippine Constitution and DOF-Department of Budget and Management (DBM)-Commission on Audit (COA) Permanent Committee Joint Circular (JC) No. 4-2012, dated September 11, 2012, re: *Rules and Regulations Implementing Executive Order No. 431 dated May 30, 2005, Directing the Reversion of All Dormant Accounts, Unnecessary Special and Trust Funds to the General Fund and for Other Purposes.* The transfer of the SRTF to the National Treasury would augment depleting funds of the National Government, and facilitate the implementation of its programs and projects.

2.1. We reiterated our prior years' audit recommendations that Management require:

a. Concerned Department to review and evaluate whether the purpose for which the SRTF has been established is already accomplished and if the Fund is no longer needed, and return the remaining cash to the National Government pursuant to Section 29(3) Article VI of the Philippine Constitution and DOF- DBM-COA Permanent Committee JC No. 4-2012;

b. Finance Department to make the necessary reconciliation, consolidation, adjustment and closing of the books of accounts of SRTF when the same is no longer needed; and

c. Coordinate with the BTr on the requirements and procedures of returning the SRTF to the National Government.

3. In CY 2023, the PCIC was able to insure 2,336,752 farmers and fisherfolk, exceeding its target of 2,323,504 farmers and fisherfolk by 13,248 out of the allocated Government Premium Subsidy (GPS) of P4.500 billion for the Registry System for Basic Sectors in Agriculture (RSBSA) Program. However, some of the production outputs were below the respective targets, resulting in overall shortfall by 190,132.33 or 5.35 per cent of the actual number of area/head/policies of

3,361,782.67 *vis-à-vis* the target of 3,551,915 thus, the full attainment of the main objective of the RSBSA Program of providing insurance protection to farmers and fisherfolk against losses arising from natural calamities, plant diseases and pest infestations of their palay and corn crops as well as other crops was somewhat affected during the year, considering the following:

a. Shortfall of 45,757 farmers and fisherfolk between the target of 1,682,726 and the actual number of farmers and fisherfolk insured for Rice, Livestock and Fisheries insurance lines of 1,636,969;

b. Negative variances on the utilization of allocated GPS in total amount of P50.409 million for insurance lines on Rice, High Value Crop (HVC), Livestock and Fisheries between the budget targets of P3,621.212 million vis-à-vis the actual productions of P3,570.803 million; and

c. Shortfalls of 4,771; 33,050; 171,991; 5,438; and 7,025 on area/head/policies on Rice, HVC, Livestock, Fisheries and Non-Crop insurance lines between the production targets of 1,327,372; 255,687; 1,529,246; 8,228; and 16,426 and actual accomplishments of 1,322,601; 222,637; 1,357,255; 2,790; and 9,401, respectively.

3.1. We commended Management for achieving the approved production target in providing free agricultural insurance to 2,336,752 farmers and fisherfolk beneficiaries of the RSBSA Insurance Program in Fiscal Year (FY) 2023, equivalent to 21.44 per cent, surpassing the target set in the General Appropriations Act (GAA) for FY 2023 of 21.03 per cent for FY 2023, and efficiently provided insurance protection to the intended beneficiaries in compliance with the goals and objectives of the PCIC charter.

3.2. On the other hand, we reiterated our prior year's recommendations and Management agreed to direct the Regional Managers to:

a. Instruct the Marketing and Sales Division (MSD) and the underwriters to continuously promote insurance lines with under or low production to ensure attainment of the annual targets and continue its campaign to reach out to more farmers and fisherfolk through the utilization of various media of communication, such as online platforms and radio advertisements and continually coordinate with its counterpart in the Local Government Units (LGUs) for information dissemination; and

b. Ensure that set production targets in terms of the number of farmers and fisherfolk for all insurance lines are met, if not surpassed, to fully attain the objective of the RSBSA Insurance Program of providing free insurance protection to the greatest number of subsistence farmers and fisherfolk.

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2023, the unsettled audit disallowances and charges amounted to P8.368 million and P14,575, respectively, the details and status are presented in Part IV, **Annex A** of this Report. There were no unsettled audit suspensions at year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 45 audit recommendations embodied in the prior years' Annual Audit Reports, 16 were implemented, 27 were not implemented, and two (2) were closed as the recommendations are no longer doable. Details are presented in Part III of this Report.