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

PHILIPPINE CROP INSURANCE CORPORATION
RECEIVED
JUN 30 2021
Office of the President

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

June 30, 2021

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

Dear Atty. Bernabe:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 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, 2020 and 2019.

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

We rendered a qualified opinion on the fairness of presentation of the financial statements, in view of the Premiums Receivable from the National Government under the Receivable account with a balance of P460.976 million, which were not derecognized from the Statement of Financial Position, despite the expiration of the right to its cash flows and therefore, no longer valid and uncollectable. Thus, the carrying amount of the Receivable account of P1.610 billion is overstated by P460.976 million. The presentation of the Receivable account does not also comply with the provisions on the derecognition of financial assets prescribed under the Philippine Financial Reporting Standard (PFRS) 9.

For the above observations which caused the issuance of a qualified opinion, we recommended that Management request from the Commission on Audit (COA) for authority to write off the outstanding balance of the Premium Receivable in the amount of P460.976 million, as basis for its derecognition from the Receivable account in compliance with PFRS 9.

The other significant audit observations and recommendations that need immediate action are as follows:

1. Dormant and long outstanding receivables aggregating P116.065 million or 95.15 per cent of the Other Receivable account of P121.983 million as at year-end were not supported with documents. The aging of receivables is not compliant with the guidelines set forth under COA Circular No. 2016-005 dated December 19, 2016. PCIC has no specific guideline on the proper

assessment of the collectability of receivables to provide basis for the proper and adequate set up of allowance for its impairment, as well as its fair presentation in the financial statements.

1.1. We reiterated our prior years' recommendation that Management require the Accounting Division in Head Office (HO) and Administrative and Finance Division in the Regional Offices (ROs) to conduct the proper monitoring and regular verification, analysis and validation of the existence of the transactions recorded under receivables to ensure the correctness and reliability of the reports and balances of all accounts affected.

1.2. We also recommended that Management:

a. Review the policy on the impairment of financial assets to ensure that the guidelines on the proper assessment of the collectability of receivables and the parameters in setting up of allowance for impairment are well defined;

b. Require the Accounting Division to:

b.1 Properly evaluate the collectability of receivable balances considering, among others, the age of the accounts and/or the possibility of its collection;

b.2 Provide the appropriate allowance for impairment, where necessary; and

b.3 Prepare the revised aging of Receivable accounts with additional columns for the dormant Receivables - Past Due ten years and above;

c. Require the Finance Department to give utmost concern on the cleaning of the receivables accounts and ensure that the re-submission of the documents on the request for authority to write off of long outstanding receivables with remote collectability are compliant with the requirements of COA Circular No. 2016-005.

2. The Subsidiary Ledgers (SLs) to support the General Ledger (GL) control accounts were not maintained for 26 Payable accounts totaling P18.573 million in the HO and one Payable account in RO No. II with balance of P0.775 million as of December 31, 2020. In addition, 28 SLs balances did not tally with its respective GL control account in the HO with a total variance of P28.124 million, hence, the reliability of the balance of the Payable accounts in HO and RO No. II amounting to P58.829 million and P0.775 million, respectively, could not be ascertained.

2.1. We reiterated our prior year's audit recommendation that Management require the Finance Manager to trace the prior years' accounting entries to ascertain the cause of the abnormal balances and effect the necessary adjustments thereon.

2.2. We also recommended that the Management:

a. Require the Finance Department to:

a.1. Maintain SLs for all the Payable accounts and ensure that the totals of the SLs are reconciled with the balances reflected in the corresponding GL accounts;

a.2. Exert the necessary effort to trace and provide details and balances for the prior years' transactions which were not carried forward in the SL balances;

b. Require the Planning and Management Information Office to study the possibility of enhancing the accounting system by integrating a program that will enable to generate the SL summary report for each GL control account to aid the Finance Department in ensuring that the total of the SL balances and the corresponding GL control accounts are reconciled.

3. The settlement of indemnity claims totalling P513.116 million under the various insurance programs/insurance lines to 108,954 registered farmers and fisherfolks in RO Nos. I, II, IV and VIII were delayed by one to 797 days in violation of the prescribed period set in PCIC's Operational Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

3.1. We reiterated our recommendations that Management:

a. Require the Marketing and Sales Division and Claims and Adjustment Division to prioritize the prompt processing of the claims of farmers and fisherfolks and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for them to timely restore their farm lands within the required time in compliance with PCIC's Operations Manual;

b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable beneficiaries to immediately recover and restore their farmlands;

c. Require the Regional Manager in RO No. VIII to adopt a strategy to facilitate the processing of claims within the prescribed period and be able to respond to farmers in the aid of rebuilding their farmlands to support their livelihood; and

b. Design a system relative to issuance of notices to the claimants that would ensure receipt thereof.

The audit observations together with the recommended courses of action are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the Report.

We respectfully request that the recommendations contained in Part II 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:

MARY S. ADELINO
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 Governance Commission for Government-Owned or Controlled Corporations
The National Library
The UP Law Center

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COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

PHILIPPINE CROP INSURANCE CORPORATION
RECEIVED
JUN 30 2021
Office of the President

June 30, 2021

CORPORATE GOVERNMENT SECTOR
CLUSTER 5
Received by: ___
Date: ___

THE BOARD OF DIRECTORS
Philippine Crop Insurance Corporation
7th Floor NIA Building A, NIA Complex
EDSA, Quezon City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 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, 2020 and 2019.

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

We rendered a qualified opinion on the fairness of presentation of the financial statements, in view of the Premiums Receivable from the National Government under the Receivable account with a balance of P460.976 million, which were not derecognized from the Statement of Financial Position, despite the expiration of the right to its cash flows and therefore, no longer valid and uncollectable. Thus, the carrying amount of the Receivable account of P1.610 billion is overstated by P460.976 million. The presentation of the Receivable account does not also comply with the provisions on the derecognition of financial assets prescribed under the Philippine Financial Reporting Standard (PFRS) 9.

For the above observations which caused the issuance of a qualified opinion, we recommended that Management request from the Commission on Audit (COA) for authority to write off the outstanding balance of the Premium Receivable in the amount of P460.976 million, as basis for its derecognition from the Receivable account in compliance with PFRS 9.

The other significant audit observations and recommendations that need immediate action are as follows:

1. Dormant and long outstanding receivables aggregating P116.065 million or 95.15 per cent of the Other Receivable account of P121.983 million as at year-end were not supported with documents. The aging of receivables is not compliant with the guidelines set forth under COA Circular No. 2016-005 dated December 19, 2016. PCIC has no specific guideline on the proper

assessment of the collectability of receivables to provide basis for the proper and adequate set up of allowance for its impairment, as well as its fair presentation in the financial statements.

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1.2. We also recommended that Management:

a. Review the policy on the impairment of financial assets to ensure that the guidelines on the proper assessment of the collectability of receivables and the parameters in setting up of allowance for impairment are well defined;

b. Require the Accounting Division to:

b.1 Properly evaluate the collectability of receivable balances considering, among others, the age of the accounts and/or the possibility of its collection;

b.2 Provide the appropriate allowance for impairment, where necessary; and

b.3 Prepare the revised aging of Receivable accounts with additional columns for the dormant Receivables - Past Due ten years and above;

c. Require the Finance Department to give utmost concern on the cleaning of the receivables accounts and ensure that the re-submission of the documents on the request for authority to write off of long outstanding receivables with remote collectability are compliant with the requirements of COA Circular No. 2016-005.

2. The Subsidiary Ledgers (SLs) to support the General Ledger (GL) control accounts were not maintained for 26 Payable accounts totaling P18.573 million in the HO and one Payable account in RO No. II with balance of P0.775 million as of December 31, 2020. In addition, 28 SLs balances did not tally with its respective GL control account in the HO with a total variance of P28.124 million, hence, the reliability of the balance of the Payable accounts in HO and RO No. II amounting to P58.829 million and P0.775 million, respectively, could not be ascertained.

2.1. We reiterated our prior year's audit recommendation that Management require the Finance Manager to trace the prior years' accounting entries to ascertain the cause of the abnormal balances and effect the necessary adjustments thereon.

2.2. We also recommended that the Management:

a. Require the Finance Department to:

a.1. Maintain SLs for all the Payable accounts and ensure that the totals of the SLs are reconciled with the balances reflected in the corresponding GL accounts;

a.2. Exert the necessary effort to trace and provide details and balances for the prior years' transactions which were not carried forward in the SL balances;

b. Require the Planning and Management Information Office to study the possibility of enhancing the accounting system by integrating a program that will enable to generate the SL summary report for each GL control account to aid the Finance Department in ensuring that the total of the SL balances and the corresponding GL control accounts are reconciled.

3. The settlement of indemnity claims totalling P513.116 million under the various insurance programs/insurance lines to 108,954 registered farmers and fisherfolks in RO Nos. I, II, IV and VIII were delayed by one to 797 days in violation of the prescribed period set in PCIC's Operational Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

3.1. We reiterated our recommendations that Management:

a. Require the Marketing and Sales Division and Claims and Adjustment Division to prioritize the prompt processing of the claims of farmers and fisherfolks and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for them to timely restore their farm lands within the required time in compliance with PCIC's Operations Manual;

b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable beneficiaries to immediately recover and restore their farmlands;

c. Require the Regional Manager in RO No. VIII to adopt a strategy to facilitate the processing of claims within the prescribed period and be able to respond to farmers in the aid of rebuilding their farmlands to support their livelihood; and

b. Design a system relative to issuance of notices to the claimants that would ensure receipt thereof.

The audit observations together with the recommended courses of action are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the Report.

In our transmittal letter of even date, we request the President of 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:

MARY S. ADELINO
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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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE CROP INSURANCE CORPORATION (PCIC)

For the Years Ended December 31, 2020 and 2019

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 No. 708 dated July 27, 1981 and further amended by Republic Act 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 policy-making body of PCIC is its Board of Directors with the Secretary of the Department of Agriculture as the Chairman and the President of PCIC as the Vice-Chairman.

PCIC has 13 Regional Offices (ROs) located nationwide and as at December 31, 2020 had personnel complement of 201 regular employees, 1,063 under job order basis, and 3 consultants.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Comparative Financial Position

	2020	2019 As Restated	Decrease
Assets	6,398.041	7,608.288	1.210.247
Liabilities	3,348.366	4,546.860	1,198.494
Equity	3,049.675	3,061.428	11.753

II. Comparative Results of Operations

	2020	2019 As Restated	Increase/ (Decrease)
Total income	1,440.421	2,492.075	(1,051.654)
Direct costs	3,594.911	4,305.966	(711.055)
Personnel services	195.690	197.774	(2.084)
Maintenance and other operating expenses	491.962	505.242	(13.280)
Financial expenses	4.165	4.098	0.067
Non-cash expenses	19.543	23.236	(3.693)
Total expenses	4,306.271	5,036.316	(730.045)
Loss after tax	(2,865.850)	(2,544.241)	(321.609)
Net subsidy	3,500.000	3,500.000	-
Net income	634.150	955.759	(321.609)
Other comprehensive income	-	39.962	(39.962)
Total comprehensive income	**634.150**	**995.721**	**(361.571)**

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts and financial transactions of PCIC for the period January 1 to December 31, 2020 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, 2020 and 2019. 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 PCIC in view of the following:

1. The Premiums Receivable from the National Government under the Receivable accounts with a balance of P460.976 million were not derecognized from the Statement of Financial Position despite the expiration of the right to its cash flows and therefore, no longer valid and uncollectable. Thus, the carrying amount of the Receivable account of P1.610 billion is overstated by P460.976 million. The presentation of the Receivable account does not also comply with the provisions on the derecognition of financial assets prescribed under the Philippine Financial Reporting Standard (PFRS) 9.

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

1.1. Request from the Commission on Audit (COA) for authority to write off the outstanding balance of the Premiums Receivable in the amount of P460.976 million, as basis for its derecognition from the Receivable account in compliance with PFRS 9.

The other significant audit observations and recommendations that need immediate action are as follows:

2. Dormant and long outstanding receivables aggregating P116.065 million or 95.15 per cent of the Other Receivable account of P121.983 million as at year-end were not supported with documents. The aging of receivables is not compliant with the guidelines set forth under COA Circular No. 2016-005 dated December 19, 2016. PCIC has no specific guideline on the proper assessment of the collectability of receivables to provide basis for the proper and adequate set up of allowance for its impairment, as well as its fair presentation in the financial statements.

2.1. We reiterated our prior years' recommendation that Management require the Accounting Division in Head Office (HO) and Administrative and Finance Division in the ROs to conduct the proper monitoring and regular verification, analysis and validation of the existence of the transactions recorded under receivables to ensure the correctness and reliability of the reports and balances of all accounts affected.

2.2. We also recommended that Management:

a. Review the policy on the impairment of financial assets to ensure that the guidelines on the proper assessment of the collectability of receivables and the parameters in setting up of allowance for impairment are well defined;

b. Require the Accounting Division to:

b.1 Properly evaluate the collectability of receivable balances considering, among others, the age of the accounts and/or the possibility of its collection;

b.3 Provide the appropriate allowance for impairment, where necessary; and

b.2 Prepare the revised aging of Receivable accounts with additional columns for the dormant Receivables - Past Due ten years and above;

c. Require the Finance Department to give utmost concern on the cleaning of the receivables accounts and ensure that the re-submission of the documents on the request for authority to write off of long outstanding receivables with remote collectability are compliant with the requirements of COA Circular No. 2016-005.

3. The Subsidiary Ledgers (SLs) to support the General Ledger (GL) control accounts were not maintained for 26 Payable accounts totaling P18.573 million in the HO and one Payable account in RO No. II with balance of P0.775 million as of December 31, 2020. In addition, 28 SLs balances did not tally with its respective GL control account in the HO with a total variance of P28.124 million, hence, the reliability of the balance of the Payable accounts in HO and RO No. II amounting to P58.829 million and P0.775 million, respectively, could not be ascertained.

3.1. We reiterated our prior year's audit recommendation that Management require the Finance Manager to trace the prior years' accounting entries to ascertain the cause of the abnormal balances and effect the necessary adjustments thereon.

3.2. We also recommended that the Management:

a. Require the Finance Department to:

a.1. Maintain SLs for all the Payable accounts and ensure that the totals of the SLs are reconciled with the balances reflected in the corresponding GL accounts;

a.2. Exert the necessary effort to trace and provide details and balances for the prior years' transactions which were not carried forward in the SL balances;

b. Require the Planning and Management Information Office to study the possibility of enhancing the accounting system by integrating a program that will enable to generate the SL summary report for each GL control account to aid the Finance Department in ensuring that the total of the SL balances and the corresponding GL control accounts are reconciled.

4. The settlement of indemnity claims totalling P513.116 million under the various insurance programs/insurance lines to 108,954 registered farmers and fisherfolks in RO Nos. I, II, IV and VIII were delayed by one to 797 days in violation of the prescribed period set in PCIC's Operational Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

4.1. We reiterated our recommendations that Management:

a. Require the Marketing and Sales Division and Claims and Adjustment Division to prioritize the prompt processing of the claims of farmers and fisherfolks and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for them to timely restore their farm lands within the required time in compliance with PCIC's Operations Manual;

b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable beneficiaries to immediately recover and restore their farmlands;

c. Require the Regional Manager in RO No. VIII to adopt a strategy to facilitate the processing of claims within the prescribed period and be able to respond to farmers in the aid of rebuilding their farmlands to support their livelihood; and

b. Design a system relative to issuance of notices to the claimants that would ensure receipt thereof.

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As at December 31, 2020, the unsettled audit disallowances and suspensions amounted to P7.325 million and P56,930, respectively. There were no unsettled audit charges at year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 73 audit recommendations embodied in the Annual Audit Reports (AARs) for CY 2019 and prior years, 18 were fully implemented thus, deleted and excluded from this Status; 18 were partially implemented; 12 were not implemented; and 25 were revised and reformulated to be more specific, measurable and doable. Details are presented in Part III of this Report.

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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, NIA Building A, NIA Complex
EDSA, Quezon City

Report on the Audit of the Financial Statements

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, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity, and statements of cash flow for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the PCIC as at December 31, 2020 and 2019 and its financial performance, changes in net equity, and cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The non-derecognition of Premiums Receivable from the National Government amounting to P460.976 million or 7.20 per cent of the total assets despite the expiration of the right to its cash flows and therefore, no longer valid and uncollectable, affected the faithful presentation of the Receivable accounts in the Statement of Financial Position. Thus, the carrying amount of the Receivable account of P1.610 billion is overstated by P460.976 million. Also, it does not also comply with the provisions on the derecognition of financial assets prescribed under the PFRS 9.

Other Matter

In our report dated September 25, 2020, we expressed a qualified opinion on the fair presentation of the financial position of the PCIC as at December 31, 2019 and 2018 and the statements of comprehensive income, statements of changes in equity, and statements of cash flow for the years then ended in accordance with the PFRS because we were unable to obtain sufficient appropriate audit evidence about the balance of the

Gross Insurance Premiums and Insurance Benefits presented in the Statement of Comprehensive Income and the balance of receivables and liabilities accounts.

Accordingly, the bases of our present opinion, as presented herein, is different from that expressed in our previous report.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 in the Philippines and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 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 ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Supplementary Information Required under Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2020 required by the Bureau of Internal Revenue as disclosed in Note 38 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT

AMARYLLIS BARBARA A. ALMAZAN
OIC- Supervising Auditor
Audit Group F – QUEDANCOR/PCIC
Cluster 5 – Agricultural and Natural Resources
Corporate Government Sector

June 25, 2021

Republic of the Philippines
Department of Agriculture
PHILIPPINE CROP INSURANCE CORPORATION

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, 2020 and 2019, 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.

CRISOLOGO DP. IGNACIO
Chairman of the Board

ATTY. JOVY C. BERNABE
President

NOMER D. VIRAY
Manager, Finance Department

Signed this 8th day of June 2021

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 As Restated
ASSETS			
Current assets			
Cash and cash equivalents	6	2,341,815,527	2,536,086,770
Investments	7	1,810,619,256	1,101,091,689
Receivables, net	8	1,137,955,428	805,091,000
Inventories	9	7,759,222	7,124,919
Other current assets	10	5,045,215	4,754,956
Total Current assets		**5,303,194,648**	**4,454,149,334**
Non-current assets			
Investments	11	500,934,309	2,587,906,888
Receivables, net	12	472,493,126	472,688,355
Property and equipment, net	13	117,519,606	88,976,225
Intangible assets	14	2,825,935	3,318,456
Other non-current assets	15	1,073,771	1,248,678
Total Non-current assets		**1,094,846,747**	**3,154,138,602**
TOTAL ASSETS		**6,398,041,395**	**7,608,287,936**
LIABILITIES			
Current liabilities			
Financial liabilities	16	1,486,742,244	1,769,843,800
Inter-agency payables	17	14,813,528	23,753,040
Trust liabilities	18	11,575,082	12,524,451
Deferred credits/unearned income	19	1,223,715,764	2,134,981,368
Provisions	20	65,633,929	66,094,560
Other payables	21	233,785,035	184,607,589
Total Current liabilities		**3,036,265,582**	**4,191,804,808**
Non-Current Liabilities			
Trust liabilities	22	311,050,381	309,053,292
Deferred credits/unearned income	23	1,050,221	46,002,010
Total Non-current liabilities		**312,100,602**	**355,055,302**
Total Liabilities		**3,348,366,184**	**4,546,860,110**
EQUITY			
Contributed capital	24	1,500,000,073	1,500,000,073
Stockholders' equity	25	259,451,431	259,451,431
Cumulative changes in fair value	26	-	15,718,890
Retained earnings	27	1,290,223,707	1,286,257,432
Total Equity		**3,049,675,211**	**3,061,427,826**
TOTAL LIABILITIES AND EQUITY		**6,398,041,395**	**7,608,287,936**

The Notes on pages 9 to 53 form part of these Financial Statements.

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 As Restated
Income			
Service and business income	29	1,170,004,472	2,333,605,858
Other non-operating income	30	270,416,288	158,469,067
Total Income		**1,440,420,760**	**2,492,074,925**
Expenses			
Direct costs	31	3,594,911,277	4,305,966,142
Personnel services	32	195,690,182	197,774,079
Maintenance and other operating expenses	33	491,962,353	505,242,191
Financial expenses	34	4,164,759	4,097,245
Non-cash expenses	35	19,542,563	23,236,162
Total Expenses		**4,306,271,134**	**5,036,315,819**
Loss before tax		(2,865,850,374)	(2,544,240,894)
Income tax expense/(benefit)		-	-
Loss after tax		(2,865,850,374)	(2,544,240,894)
Net assistance/subsidy	36	3,500,000,000	3,500,000,000
Net income		634,149,626	955,759,106
Other comprehensive income for the period	26	-	39,961,987
TOTAL COMPREHENSIVE INCOME		**634,149,626**	**995,721,093**

The Notes on pages 9 to 53 form part of these Financial Statements.

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Cumulative Changes in Fair Value	Retained earnings	Contributed capital	Share capital	Share premium	TOTAL
	Note 26	Note 27	Note 24	Note 25.1	Note 25.2	
BALANCE AT JANUARY 1, 2019	**(24,243,097)**	**330,011,568**	**1,279,295,215**	**100,000,000**	**159,451,431**	**1,844,515,117**
CHANGES IN EQUITY FOR 2019						
Add/(Deduct):						
Net income		955,759,106				955,759,106
Other comprehensive income	39,961,987					39,961,987
Prior period errors		486,758	220,704,858			221,191,616
RESTATED BALANCE AT DECEMBER 31, 2019	**15,718,890**	**1,286,257,432**	**1,500,000,073**	**100,000,000**	**159,451,431**	**3,061,427,826**
CHANGES IN EQUITY FOR 2020						
Add/(Deduct):						
Net income		634,149,626				634,149,626
Other comprehensive income/termination	(15,718,890)					(15,718,890)
Dividends		(630,183,351)				(630,183,351)
BALANCE AT DECEMBER 31, 2020	**-**	**1,290,223,707**	**1,500,000,073**	**100,000,000**	**159,451,431**	**3,049,675,211**

The Notes on pages 9 to 53 form part of these Financial Statements.

PHILIPPINE CROP INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of assistance/subsidy		3,163,826,283	5,276,829,037
Collection of income/revenue		242,830,263	222,155,762
Trust receipts		11,372,006	18,389,784
Receipt of inter-agency fund transfers		17,935,500	33,329,200
Receipt of intra-agency fund transfers		47,107,079	-
Other receipts		26,055,754	21,518,785
Collection of receivables		5,488,581	6,042,601
Adjustments		52,027	1,727,810
Total cash inflows		**3,514,667,493**	**5,579,992,979**
Cash outflows			
Payment of underwriting expenses and insurance benefits/claims		3,633,907,144	4,015,279,694
Payment of expenses		812,690,771	617,580,870
Remittance of personnel benefit contributions and mandatory deductions		113,749,242	107,338,701
Grant of cash advances		20,763,483	49,753,189
Purchase of inventories		15,115,613	10,029,882
Payments of accounts payable		7,842,622	7,285,586
Prepayments		680,654	845,137
Release of inter-agency fund transfers		282,170	2,400,259
Other disbursements		41,754,717	43,312,137
Refund of deposits		162,535	78,750
Adjustments		219,551	2,386,388
Total cash outflows		**4,647,168,502**	**4,856,290,593**
Net cash provided by/(used in) operating activities		**(1,132,501,009)**	**723,702,386**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from matured investments/redemption of long-term investments		2,508,512,678	5,454,677,551
Receipt of interest earned		1,332,736,153	95,737,062
Proceeds from sale/disposal of property and equipment		5,350	36,751
Adjustments due to cash equivalent erronously classified as investment		-	(355,318,369)
Total cash inflows		**3,841,254,181**	**5,195,132,995**
Cash outflows			
Purchase/acquisition of investments		2,243,087,265	5,551,589,814
Purchase/construction of property and equipment		29,698,340	10,522,342
Purchase of intangible assets		44,843	-
Adjustments due to cash equivalent erronously classified as investment		-	200,017,497
Total cash outflows		**2,272,830,448**	**5,762,129,653**
Net cash provided by/(used in) investing activities		**1,568,423,733**	**(566,996,658)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows			
Contributions received from the National Government		-	220,704,858
Total cash inflows		**-**	**220,704,858**
Cash outflows			
Payment of cash dividends to the Bureau of the Treasury		630,193,967	160,900,599
Total cash outflows		**630,193,967**	**160,900,599**
Net cash provided by/(used in) financing activities		**(630,193,967)**	**59,804,259**
Net increase/(decrease) in cash and cash equivalents		**(194,271,243)**	**216,509,987**
CASH AND CASH EQUIVALENTS, JANUARY 1		**2,536,086,770**	**2,319,576,783**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**6**	**2,341,815,527**	**2,536,086,770**

The Notes on pages 9 to 53 form part of these Financial Statements.

PHILIPPINE CROP INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019
(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 Controlled Corporation (GOCC) attached to the Department of Agriculture (DA). It was created as a social-oriented agency 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 purpose, as amended by PD No. 1733 on October 21, 1980, by adding penal sanctions therein and Executive Order No. 708 dated July 27, 1981. It was further amended by Republic Act (RA) No. 8175 enacted on December 20, 1995, 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 national economy.

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

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

- The Secretary of the Department of Agriculture;
- The President of the Land Bank of the Philippines (LBP);
- The President of the Corporation;
- The Executive Director of the Agricultural Credit Policy Council (ACPC);
- A representative from the private insurance industry to be nominated by the Secretary of Finance; and
- Three representatives from the subsistence farmers' sector coming from Luzon, Visayas and Mindanao.

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.

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 machineries 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.

PCIC has 13 Regional Offices (ROs) located nationwide and as at December 31, 2020, it had a personnel complement of 201 regular employees, 1,063 under job order basis, and 3 consultants. Details are as follows:

Office/RO	Regular Employees	Job Order Workers	Consultants	Total
Head Office (HO)	52	22	3	77
I	12	68	0	80
II	11	93	0	104
III	12	51	0	63
III-A	12	34	0	46
IV	11	88	0	99
V	11	71	0	82
VI	11	98	0	109
VII	12	113	0	125
VIII	11	97	0	108
IX	12	75	0	87
X	12	97	0	109
XI	10	63	0	73
XII	12	93	0	105
	201	**1,063**	**3**	**1,267**

Regular Insurance Programs

a. Palay and Corn Crop Insurance

An insurance protection extended to farmers against losses on palay 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, 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 death of the insured due to accident, natural causes, and murder or assault.

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

f. Fisheries Insurance

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

The Registry System for Basic Sectors in Agriculture (RSBSA) Program is a program of PCIC wherein farmers and fisherfolks included in the RSBSA list are entitled to 100 per cent free insurance from PCIC. Under the Special Provision of RA No. 11465, the General Appropriations Act for Fiscal Year 2020 dated January 6, 2020, pertaining to subsidy to the PCIC, the amount of P3.500 billion shall be used for the full insurance premiums of subsistence farmers and fisherfolks to cover crop, livestock, fisheries and non-crop agricultural asset. The PCIC shall ensure that the beneficiaries identified are registered under the RSBSA.

The programs classified under the non-RSBSA pertain to insurance granted to subsistence farmers and fisherfolks under various programs of PCIC 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 for the year ended December 31, 2020 (including the comparative financial statements as at and for the year ended December 31, 2019) were authorized for issue by the BOD on April 22, 2021.

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 PFRSs and Philippine Accounting Standards (PAS) issued by the Philippine Financial Reporting Standards Council (PFRSC) and with COA Circular No. 2017-004. PFRSs are adopted by the PFRSC from the pronouncements issued by the International Accounting Standards Board (IASB) 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 PFRS by Government Corporations classified as Commercial Public Sector Entities, formerly Government Business Enterprises.

The financial statements have been prepared using the measurement bases specified by PFRS 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 Comparative 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 organized financial market and is not in the process of filing its financial statements with the Securities and Exchange Commission or other regulatory organization 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 Head Office and its offices 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 years 2020 and 2019. General Ledger and Subsidiary Ledger 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 Philippine peso, the currency of the primary economic environment in which the Corporation operates (the “functional currency”). All information presented in Philippine peso were rounded to the nearest peso, except when otherwise specified.

2.2 Adoption of New PFRS and PAS

Effective in Calendar Year (CY) 2020 that are relevant to the Corporation

The Corporation adopted for the first time the following new and amended PFRS and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

  The amendments were issued in October 2018 to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information” is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

  Although the amendments to the definition of material is not expected to have a significant impact on an entity’s financial statements, the introduction of the term ‘obscuring information’ in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organized in the financial statements.

Effective in CY 2020 that are not Relevant to the Corporation

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2020 and June 1, 2020 but are not relevant to the Corporation's financial statements.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PFRS 3, *Definition of a Business*

The amendments help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

- Amendments to PFRS 9, PAS 39, and PFRS 7, *Interest Rate Benchmark Reform*

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

The amendments to PFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable

- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss

- The assessment of the economic relationship between the hedged item and the hedging instrument

The amendments to PAS 39

The corresponding amendments are consistent with those for PFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of Interbank Offered Rates (IBOR) reform.

- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80-125 per cent range, during the period of uncertainty arising from IBOR reform.

- For a hedge of a benchmark portion (rather than a risk component under PFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Effective for annual periods beginning on or after June 1, 2020:

- Amendments to PFRS 16, *Leases – Covid-19 Related Rent Concessions*

The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors.

Effective for annual periods beginning on or after January 1, 2023

Effective in CY 2023 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 a liability; and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

- PFRS 17*, Insurance Contracts*

This standard will replace PFRS 4, *Insurance Contracts*. 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.

<u>Deferred effectivity</u>

- Amendments to PFRS 10, *Consolidated Financial Statements and* PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture.*

The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Except for PFRS 17, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Corporation.

2.3 Current versus Noncurrent Classifications

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

- Expected to be realized or intended to be sold or consumed in 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 noncurrent.

A liability is current when:

- It is expected to be settled in 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 noncurrent. Deferred tax assets and liabilities are classified as noncurrent 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 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 (FVTOCI), 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 FVTOCI classification is mandatory for certain assets unless the fair value option is elected. While for equity investments, the FVTOCI 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, 2020, 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 principal amount outstanding.

The PCIC has investment securities at amortized cost amounting to P1.810 billion, current portion and P500.934 million, non-current portion as at December 31, 2020. *(See Notes 7 and 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, 2020, 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, reasonable and supportable forecasts that affect 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 conditions. The Corporation also assesses 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 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 a collateralized borrowing for the proceeds received.

On 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 include cash on hand, cash in banks, and high yield short-term placements. Cash in banks includes 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

Inventories are 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 company uses the weighted average method in recording the cost of the inventory. (*See Note 9)*

2.7 Property and equipment

The Corporation's depreciable properties are stated at cost less accumulated depreciation *(See Note 13)*. The initial cost of Property 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 and equipment has 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 follows:

Account	**Life in Years**
Buildings	10 - 30 years
Land improvements	10 - 30 years
Information technology and equipment software	5 – 15 years
Land transportation equipment	7 - 10 years
Office equipment, furniture and fixtures	5 - 10 years
Other property and equipment	5 years

When Property 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. 2016-006, tangible assets with acquisition cost of below P15,000 shall be accounted as semi-expendable property.

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

Leased Assets - Buildings – The Corporation leases some of its office spaces for more than one (1) year. The contract price are capitalized and amortized for the duration of the contract.

2.8 Intangible assets

The Corporation recognizes acquisition, development, and other related cost of Computer software as Intangible assets in the SFP pursuant to COA Circular No. 2016-010. Capitalized costs are amortized on a straight-line basis over the estimated useful lives up to ten 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 are recognized as expense in the SCI.

2.10 Provisions

Terminal leave benefits

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

Provident fund

This pertains to provident benefit of regular employees which is the money value of contribution to the fund equivalent to 20 per cent of the basic salaries of regular employees using the 1998 salary schedule. *(See Notes 21 and 32)*

2.11 Deferred credits

Reserve for unearned premiums

A Reserve for unearned premiums is provided to cover premiums underwritten but not earned as of reporting date. This is recorded under Deferred credits and reported in the SFP. The amount of set-up is equivalent to 40 per cent of the net premiums except for palay and corn. *(See Notes 19 and 23)*

Reserve for unearned premiums for palay and corn is computed on the following:

For production during the month of report	7/8
1st month preceding the date of report	5/8
2nd month preceding the date of report	3/8
3rd month preceding the date of report	1/8

2.12 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 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 company uses the one eight (1/8) method. The portion of the premiums written that pertains to the unexpired portion of the policies as of reporting date are accounted for as Reserve for unearned premiums and presented in the liability section of the SFP under the Deferred credits. *(See Note 19)*

b) Income from investments

Interests from short-term and long-term investments are recognized as the interest accrues. *(See Notes 7, 11, and 30)*

2.13 Expense Recognition

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

2.14 Insurance benefits

Insurance benefits consists 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 as at year-end. The unprocessed Indemnity claims consist of Report on Approved Claims (RAC) without Disbursement Vouchers but supported by approved Claims Settlement Sheet (CSS); and a listing of approved CSS without any covering RAC, indicating the name of the farmers and fisherfolks, Certificate of Insurance Cover number, amount of cover, area covered, cause of loss, per cent of damage, amount claimed and computed indemnity.

2.15 Equity

Share capital represents the nominal value of shares that have been issued (PAS 32).

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 27)*

2.16 Prior Period Adjustments

Prior Period Adjustment is the correction of an error in the financial statements that were reported for a prior period. The prior period adjustment is 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. *(See Note 27)*

2.17 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 of 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 Agency'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 and equipment

Property and equipment are stated at cost less accumulated depreciation. A residual value equivalent to 10 per cent of acquisition cost is deducted before depreciation is computed using 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 reasonable determinable.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The BOD has overall responsibility for the establishment and oversight of the Corporation's Risk Management Framework. The Board has established Risk Management and Audit Committee (RMAC) who is responsible in 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 risk of the PCIC, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities; and

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 Chairman.

Managing insurance risk

The risk under insurance is the possibility of 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 contract, 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

Errors in recording had occurred in CY 2019 which resulted to net adjustment in Retained earnings account totaling P45.157 million as disclosed under Note 27.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2020	2019
Cash on hand	1,213,280	892,443
Cash in bank - local currency	1,039,890,936	1,784,412,494
Cash equivalents	1,300,711,311	750,781,833
	2,341,815,527	**2,536,086,770**

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

	2020	2019
Current accounts		
General and administrative fund	611,128,475	1,398,607,999
Claims fund	363,023,720	321,446,693
Mother account	44,414,947	40,386,856
Investment fund	12,574,003	16,522,811
	1,031,141,145	1,776,964,359
Savings account		
Savings account – one-way savings deposit account	8,749,791	7,448,135
	1,039,890,936	**1,784,412,494**

Cash equivalents consists of the following:

	2020	2019
Time deposit, local currency - PCIC	1,300,711,311	750,781,833
	1,300,711,311	**750,781,833**

7. INVESTMENTS - CURRENT

This account consists of:

	2020	2019
Investment in trust account with LBP	-	501,978,245
Investment in time deposits, local currency - Special Revolving Trust Fund (SRTF)	309,925,703	308,453,694
Investment in time deposits, local currency	600,693,553	290,659,750
Investment in bonds – LBP-RTB-03-09-483494	800,000,000	
Investment in bonds - BTr -RTB-13	100,000,000	
	1,810,619,256	**1,101,091,689**

The PCIC BOD approved the investment of P500 million and appointed the LBP-Trust Banking Group (LBP-TBG) as the investment manager, per BR No. 2017-089 dated December 19, 2017. On January 25, 2018, the PCIC Investment Management Account was opened through LBP-TBG under 111503 Trust Account (TA) 01 amounting to P500 million and referred to as investment portfolio. The Investment Management Agreement of even date was then executed by and between PCIC and LBP-TBG. In CY 2020, the Trust Account was terminated.

Investment Securities include time deposits of SRTF with related and detailed disclosure provided under Note 22.

8. RECEIVABLES – CURRENT, NET

This account consists of the following:

	2020	2019 As restated
Loans and receivable	1,130,860,885	798,201,775
Inter-agency receivables	2,545,714	1,744,287
Other receivables	4,548,829	5,144,938
	1,137,955,428	**805,091,000**

Bulk of the Loans and Receivable accounts in CY 2020 is the unleased Government Subsidy of P1.112 billion from the Department of Budget and Management (DBM).

Pursuant to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Receivables - current in CY 2019 was restated and reclassified as follows:

	Amount
Unrestated balance, December 31, 2019	**827,189,349**
Add/(Deduct): Prior period adjustments: (Note 27)	
Gross premiums	(194,459)
Due from officers and employees	6,340
Interest receivable	(21,910,230)
	(22,098,349)
Receivables, current-net, December 31, 2019, as restated	**805,091,000**

8.1 Loans and receivable account consists of:

	2020	2019 As restated
Contributions and premiums receivable	1,125,734,544	787,816,530
Interest receivable	5,126,341	10,385,245
	1,130,860,885	**798,201,775**

Interest receivable includes interest from Investment in bonds and Time deposits.

Pursuant to COA Circular Nos. 2015-010 and 2016-006, as well as, PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Contributions and premiums receivable and Interests receivable accounts for CY 2019 are restated as follows:

	Amount
Unrestated balance, December 31, 2019	788,010,989
Deduct: Prior period adjustment: (Note 27) - Gross premiums	(194,459)
Contributions and premiums receivable, December 31, 2019, as restated	**787,816,530**

	Amount
Unrestated balance, December 31, 2019	32,295,475
Deduct: Prior period adjustment: (Note 27)	
Overstatement of interest receivable	(21,910,230)
Interest receivable, December 31, 2019, as restated	**10,385,245**

8.1.1 Contributions and premiums receivable from:

	2020	**2019 As restated**
National Government (NG)	1,112,472,716	776,298,999
Farmers	12,745,818	11,001,521
Less: Allowance for impairment	1,628,346	1,628,346
	11,117,472	9,373,175
Lending institutions (LIs)	2,144,356	2,144,356
	1,125,734,544	**787,816,530**

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.

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

Pursuant to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Contributions and premiums receivable - farmers in CY 2019 was restated as follows:

	Amount
Unrestated balance, December 31, 2019	11,195,980
(Deduct: Prior period adjustment: (Note 27)	
Gross premiums	(194,459)
Contributions and premiums receivable - farmers, December 31, 2019, as restated	**11,001,521**

8.1.2 Contributions and premiums receivable - NG

Particulars	**2020**	**2019**
Unreleased balance of GPS for CY 2020	1,112,472,716	
Unreleased balance of GPS for CY 2019		776,298,999
	1,112,472,716	**776,298,999**

8.2 Inter-agency receivables

Due from NGAs represents payment/deposit to DBM Procurement Service for the plane tickets of PCIC.

	2020	2019
Due from NGAs	2,438,225	1,636,798
Due from Other funds	107,489	107,489
	2,545,714	**1,744,287**

8.3 Other receivables - current

	2020	2019 As restated
Due from officers and employees	274,543	368,394
Other receivables - others	4,274,286	4,776,544
	4,548,829	**5,144,938**

Bulk of the account Other receivable - others is the receivable from SRTF. This represents expenses charged by PCIC to SRTF for administering the Fund.

Other receivable -Others consists of the following:

	2020	2019
Other receivables-SRTF	3,899,887	4,082,034
Other receivables-premium tax	97,053	97,035
Other receivables-documentary stamps	30,899	30,853
Other receivables-other tax	22,786	22,786
Other receivables-local government tax	11,586	11,586
Other receivables-others	2,600,588	2,880,631
	6,662,799	7,124,925
Less: Allowance for impairment	(2,388,513)	(2,348,381)
	4,274,286	**4,776,544**

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

Pursuant to COA Circular Nos. 2015-010 and 2016-006, as well as, PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Due from officers and employees for CY 2019 was restated as follows:

	Amount
Unrestated balance, December 31, 2019	362,054
Add: Prior year adjustment: (Note 27)	
Expense personal in nature to be charged to employees	6,340
Due from officers and employees, December 31, 2019, as restated	**368,394**

The following disclosures pertain to Guarantee and other receivable accounts:

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

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

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

d. PCIC was able to recover some of the receivables from both Guarantee and STD Claims paid. These recoveries came from the closed banks under liquidation by the Philippine Deposit Insurance Corporation.

e. 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 PCIC using the Agricultural Guarantee Fund (AGF).

f. Claims on bank–unremitted recoveries represent recoveries on guarantee loans not yet remitted by LIs.

g. Due from banks represent excess payments made by PCIC to LIs under the guarantee program.

Receivables-disallowances/charges represent amount due from public/private individuals/entities for audit disallowances which have become final and executory.

9. INVENTORIES

This account consists of the following:

	2020	2019 As restated
Inventory held for consumption	6,641,825	5,313,454
Semi-expendable machinery and equipment	420,309	1,114,377
Semi-expendable furniture, fixtures and books	697,088	697,088
	7,759,222	**7,124,919**

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

Semi-expendables are tangible items below the capitalization threshold of P15,000 which are yet to be issued to end-users.

Pursuant to COA Circular Nos. 2015-010 and 2016-006 as well as PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Inventory held for consumption for CY 2019 was restated as follows:

	Amount
Unrestated balance, December 31, 2019	5,324,646
Deduct: Prior year adjustment: (Note 27)	
Adjustment in inventory	(11,192)
Inventory held for consumption, December 31, 2019, as restated	**5,313,454**

10. OTHER CURRENT ASSETS

This account includes the following:

	2020	2019
Deposits	2,611,648	2,323,927
Prepayments	258,114	251,240
Advances	262,612	154,174
Other assets	1,912,841	2,025,615
	5,045,215	**4,754,956**

Deposits represent guarantee deposits on leased office premises.

Prepayments includes the following:

	2020	2019
Prepaid rent	60,906	60,906
Prepaid insurance	133,059	22,178
Other prepayments	64,149	168,156
	258,114	**251,240**

11. INVESTMENT - NON-CURRENT

This account consists of:

	2020	2019
Investment in bonds - LBP	148,792,709	1,935,765,288
Investment in bonds - Bureau of the Treasury (BTr)	350,000,000	450,000,000
	498,792,709	2,385,765,288
Investments in time deposits		200,000,000
Other investments	2,141,600	2,141,600
	500,934,309	**2,587,906,888**

The breakdown of the Investments is as follows:

Particulars	Amount	Term	Interest Rate (in %)	Maturity Date
Investment in bonds-LBP:				
Fixed Rate Treasury Notes				
FXTN-05-75-60639	148,792,709	4.24 years	5.500	March 08, 2023
BTr RTB:				
RTB-20	350,000,000	5 years	4.625	December 4, 2022
	498,792,709			

Other investments represent investments in the following:

	2020	2019
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	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, NET - NON-CURRENT

This account consists of the following:

	2020	2019 As restated
Loans and receivable	460,977,302	460,977,302
Inter-agency receivables	367,620	367,620
Other receivables	117,709,143	117,904,372
	579,054,065	579,249,294
Less: Allowance for impairment	106,560,939	106,560,939
	472,493,126	**472,688,355**

12.1 Loans and receivable account is consisting of the following:

	2020	2019
Reinsurance commission	1,162	1,162
Unreleased balance of GPS for CY 2009	71,791,345	71,791,345
Unreleased balance of GPS for CY 2010	73,520,118	73,520,118
Government premiums receivable arrearages CYs 1981-1995	315,664,677	315,664,677
	460,977,302	**460,977,302**

12.1.1 Premiums receivable-arrearages NG

The Premiums receivable–arrearages NG pertains to the cumulative premium subsidy arrearages from the NG when RA No. 8175 was enacted in 1995. This is consist of unappropriated and/or unreleased government premium subsidy for policies written for the period from May 1, 1981 up to 1995. The receivable was programmed for payment by the NG within a period of ten years from 1996. The account also includes unreleased GPS from 1996 to 2011. Details of the Premiums receivable arrearages from the NG are as follows:

	CYs 1981 to 1995	**CYs 1996 to 2008**	**Total**
Unreleased GPS	542,941,295	146,906,182	689,847,477
Less: Collections			
CY 1997	54,290,000		54,290,000
CY 1998	40,717,500		40,717,500
CY 2000	54,290,000		54,290,000
CY 2001	48,861,000		48,861,000
CY 2003	11,305,000		11,305,000
CY 2004	11,305,000		11,305,000
CY 2005	11,305,000		11,305,000
CY 2006	63,803,000		63,803,000
CY 2007	59,693,000		59,693,000
CY 2008	18,613,300		18,613,300
	168,758,495	**146,906,182**	**315,664,677**

12.2 Other receivables consists of the following:

	2020	**2019 As restated**
Guarantee receivables	102,485,808	102,485,808
Other receivable - others	3,724,229	3,724,229
Receivable - disallowance/charges	11,146,467	11,341,696
Unremitted recoveries	352,639	352,639
	117,709,143	117,904,372
Less: Allowance for impairment	106,560,939	106,560,939
	11,148,204	**11,343,433**

Pursuant to COA Circular Nos. 2015-010 and 2016-006 as well as PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Guarantee receivables and unremitted recoveries, which were previously presented net of Allowance for impairment for CY 2019 was restated as follows:

	2019 Unrestated balance	**Receivable previously presented net of allowance**	**2019 As restated**
Guarantee receivables	99,968,029	2,517,779	102,485,808
Other receivable - others	3,760,163	(35,934)	3,724,229
Receivable - disallowance/charges	11,341,696	-	11,341,696
Unremitted recoveries	9,212	343,427	352,639
	115,079,100	2,825,272	117,904,372
Less: Allowance for impairment	103,735,667	2,825,272	106,560,939
	11,343,433	**-**	**11,343,433**

13. PROPERTY AND EQUIPMENT- NET

This account consists of the following:

	Construction in Progress	Land and land improvements	Building and other structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and books	Leased assets and leased asset improvements	Other PPE	Total
Cost									
January 1, 2020, as restated	-	2,467,110	17,232,436	63,987,156	62,357,148	6,754,766	15,975,219	835,490	169,609,325
Add: Acquisitions	1,689,254	-	-	9,018,307	24,257,365	554,655	10,414,346	135,000	46,068,927
Less: Disposals	-	-	-	(109,695)	-	-	-	-	(109,695)
Add(Deduct): Adjustments	-	-	-	(240,071)	(296,964)	(223,667)	(948,166)	16,244	(1,692,624)
December 31, 2020	**1,689,254**	**2,467,110**	**17,232,436**	**72,655,697**	**86,317,549**	**7,085,754**	**25,441,399**	**986,734**	**213,875,933**
Accumulated depreciation January 1, 2020, as restated	-	488,979	1,421,504	32,704,448	36,658,292	2,276,024	6,663,211	420,642	80,633,100
Depreciation expense (Note 35)	-	210,477	516,973	9,565,805	5,494,772	841,222	861,475	52,450	17,543,174
Add/(Deduct): Adjustments	-	-	-	(1,126,199)	91,965	13,458	(799,171)	-	(1,819,947)
December 31, 2020	**-**	**699,456**	**1,938,477**	**41,144,054**	**42,245,029**	**3,130,704**	**6,725,515**	**473,092**	**96,356,327**
Carrying Amounts, December 31, 2020	**1,689,254**	**1,767,654**	**15,293,959**	**31,511,643**	**44,072,520**	**3,955,050**	**18,715,884**	**513,642**	**117,519,606**
Carrying Amounts, December 31, 2019, as restated	**-**	**1,978,131**	**15,810,932**	**31,282,708**	**25,698,856**	**4,478,742**	**9,312,008**	**414,848**	**88,976,225**

Pursuant to COA Circular Nos. 2015-010 and 2016-006 as well as PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, property and equipment for CY 2019 is restated as follows:

	Land and land improvements	Building and other structures	Machinery and equipment	Transportation equipment	Furniture, fixtures and books	Leased assets and leased asset improvements	Other PPE	Total
Cost								
Unrestated balance, December 31, 2019	**2,467,110**	**17,232,436**	**64,721,952**	**61,331,346**	**6,754,766**	**15,812,156**	**835,490**	**169,155,256**
Add(Deduct): Adjustments	-	-	(734,796)	1,025,802	-	163,063	-	454,069
December 31, 2019, as restated	**2,467,110**	**17,232,436**	**63,987,156**	**62,357,148**	**6,754,766**	**15,975,219**	**835,490**	**169,609,325**
Accumulated depreciation								
Unrestated balance, December 31, 2019	**422,927**	**1,421,504**	**32,579,569**	**35,607,034**	**2,542,134**	**6,620,410**	**420,642**	**79,614,220**
Add(Deduct): Adjustments	-	-	-					
Accumulated Depreciation				794,535	(266,110)	(53,162)	(676,873)	(201,610)
Depreciation Expense	66,052	-	124,879	256,723	-	95,963	676,873	1,220,490
December 31, 2019, as restated	**488,979**	**1,421,504**	**32,704,448**	**36,658,292**	**2,276,024**	**6,663,211**	**420,642**	**80,633,100**
Carrying Amounts, December 31, 2019, as restated	**1,978,131**	**15,810,932**	**31,282,708**	**25,698,856**	**4,478,742**	**9,312,008**	**414,848**	**88,976,225**

14. INTANGIBLE ASSETS

This account represents the cost of developing the PCIC Automated Business System, which is being amortized for 10 years. It also includes other computer softwares.

	2020	**2019**
Cost, beginning balance	6,932,798	6,745,260
Additions	157,945	187,538
	7,090,743	6,932,798
Accumulated amortization, beginning balance	3,614,342	2,974,516
Amortization	650,466	639,826
	4,264,808	3,614,342
Carrying amount	**2,825,935**	**3,318,456**

15. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2020	2019
Prepaid rent	776,486	858,402
Prepaid insurance	287,215	349,937
Other prepayments	10,070	40,339
	1,073,771	1,248,678

This includes prepaid rents and deposits for the Provincial Extension Offices in the Regions, prepaid insurance and others.

16. FINANCIAL LIABILITIES – CURRENT

This account consists of the following:

	2020	2019 As restated
Accounts payable	1,486,498,720	1,769,637,355
Due to officers and employees	243,524	206,445
	1,486,742,244	**1,769,843,800**

The Accounts payable account consists of the following:

	2020	2019
COA	16,311,410	12,526,760
Creditors/others	1,933,057	621,677
Operating Lease Payable	9,398,020	-
Unpaid Claims:		
Palay and Corn	1,084,804,534	1,351,966,085
HVC	258,911,041	331,190,400
Livestock	71,860,163	18,832,948
Fisheries	18,763,359	14,617,292
CLTI	12,847,214	10,702,144
Non-crop	10,699,922	28,260,049
Death benefit	970,000	920,000
	1,486,498,720	**1,769,637,355**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Accounts payable for CY 2019 are restated/reclassified as follows:

	2019 Unrestated balances	Prior Period Adjustments (Note 27)	2019 As restated
Unpaid Claims			
Palay and Corn	1,196,142,008	155,824,077	1,351,966,085
HVC	461,134,660	(129,944,260)	331,190,400
Livestock	19,063,099	(230,151)	18,832,948
Fisheries	16,017,409	(1,400,117)	14,617,292
CLTI	10,629,104	73,040	10,702,144
Non-crop	28,841,214	(581,165)	28,260,049
Death benefit	630,000	290,000	920,000
	1,732,457,494	**24,031,424**	**1,756,488,918**

17. INTER-AGENCY PAYABLES – CURRENT

This account consists of the following:

	2020	2019
Due to Local Government Units (LGUs)	6,478,685	14,378,522
Due to Bureau of Internal Revenue (BIR)	5,181,689	5,411,135
Due to Government Service Insurance System (GSIS)	1,886,104	2,794,974
Due to Social Security System	223,540	18,240
Due to NGAs	659,415	659,415
Due to Pag-IBIG	260,705	253,496
Due to PhilHealth	123,390	237,258
	14,813,528	**23,753,040**

Due to NGAs consists of the following:

	2020	2019
ACPC	478,791	478,791
Comprehensive Agricultural Loan Facility (CALF)	96,351	96,351
SRTF	84,273	84,273
	659,415	**659,415**

Due to LGUs as of December 31, 2020 consists of local government taxes and premiums of P369,572 and P6,109,113, respectively.

Due to BIR consists of the following:

	2020	2019
Withholding taxes	2,727,881	3,259,238
Documentary stamps and other taxes	2,453,808	2,151,897
	5,181,689	**5,411,135**

CALF is a temporary account lodged at the ROs, credited 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 (debited).

18. TRUST LIABILITIES - CURRENT

This account consists of the following:

	2020	2019
Guarantee/security deposits	1,203,989	1,203,989
Trust liabilities - DA/Philippine Council for Agriculture and Fisheries	347,925	179,124
Trust liabilities - SRTF	321,426	321,426
Trust liabilities - others	9,701,742	10,819,912
	11,575,082	**12,524,451**

Trust liabilities -others consists mainly of the insurance premiums deposited to the PCIC bank accounts which lacks the necessary documents before they can be treated as income.

19. DEFERRED CREDITS/UNEARNED INCOME – CURRENT

	2020	2019 As restated
Deferred credits	72,213,724	788,135,714
Reserve for unearned premiums	1,151,502,040	1,346,845,654
	1,223,715,764	**2,134,981,368**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Deferred credits/unearned income – current and Reserve for unearned premiums for CY 2019 are restated as follows:

	Amount
Unrestated balance, December 31, 2019	2,233,966,374
Add/(Deduct) Prior period adjustments: (Note 27)	
Adjustment of deferred credits (Cancellation of production)	14,652,511
Overprovision of premium reserve	(113,637,517)
Deferred credits/unearned income, December 31, 2019, as restated	**2,134,981,368**

19.1 Deferred credits-current

	2020	2019
Agri-Agra funds	-	757,808,113
Others	72,213,724	30,327,601
	72,213,724	**788,135,714**

In CY 2019, Deferred credits included unutilized Agri-Agra funds received from the Bangko Sentral ng Pilipinas (BSP) amounting to P757.808 million, representing PCIC's 45 per cent share (50 per cent of 90 per cent) on the penalties collected by BSP from lending/banking institutions due to the latter's non-compliance with the Agri-Agra Law (RA No. 10000), specifically Section 6 thereof.

For CY 2020, there were no remittances from the BSP. The total balance of P757.808 million were all utilized as at December 31, 2020. The movement of the fund in CY 2020 is as follows:

Balance, December 31, 2019	757,808,113
Add: Remittances from BSP for the year	-
Available fund for the year	757,808,113
Less: Amount utilized for the year	757,808,113
Balance, December 31, 2020	**-**

The amount utilized for the year totaling P757.808 million pertains to insurance granted to subsistence farmers and fisherfolks under various programs of PCIC such as DA-Sikat Saka, PLEA/SURE, APCP, DA HYRID, PPI and Non-RSBSA as approved by the

BOD through BRs, wherein 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.

19.2 Reserve for unearned premiums - current

This represents the statutory legal reserve required for all unexpired risks of PCIC and consists of the following:

	2020	2019
Crops	748,586,445	698,677,367
Livestock	140,942,857	204,179,793
HVC	207,305,247	360,208,245
CLTI	23,291,277	37,586,271
Non-crop	15,981,169	22,751,932
Fisheries	15,395,045	23,442,046
	1,151,502,040	**1,346,845,654**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Reserve for unearned premiums, current for CY 2019 is restated as follows:

	Amount
Unrestated balance, December 31, 2019	1,460,483,171
Deduct: Prior period adjustment (Note 27)	
Over provision of premium reserve-crop	(113,637,517)
Reserve for unearned premiums - current, December 31, 2019, as restated	**1,346,845,654**

20. PROVISIONS – CURRENT

	2020	2019 As restated
Leave benefits payable	65,633,929	66,094,560
	65,633,929	**66,094,560**

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 benefit as post-employment benefit.

Pursuant to COA Circular Nos. 2015-010 and 2016-006 as well as, PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Leave benefits payable for CY 2019 is restated as follows:

	Amount
Unrestated balance, December 31, 2019	65,273,446
Add: Prior period adjustment: (Note 27)	
Adjustment of leave benefits pertaining to CY 2019	821,114
Leave benefits payable, December 31, 2019, as restated	**66,094,560**

21. OTHER PAYABLES - CURRENT

This account consists of the following:

	2020	2019 As restated
Return premiums payable	4,729,924	5,595,686
Provident fund	297,626	1,138,563
Other payable - accrued expenses	42,447,806	40,144,506
Other payable - service fee payable	27,097,071	16,927,841
Other payable - employees association	332,834	23,391
Others	158,879,774	120,777,602
	233,785,035	**184,607,589**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Other payables - current for CY 2019 is restated as follows:

	Amount
Unrestated balance, December 31, 2019	178,306,124
Add/(Deduct) Prior period adjustments: (Note 27)	
Return premiums	60,427
Accrued expenses	634,045
Service fee payables - honoraria	6,174,581
Service fee payables - commission	(567,588)
Other payables - current, December 31, 2019, as restated	**184,607,589**

22. TRUST LIABILITIES – NON-CURRENT

This account consists of the following:

	2020	2019
Trust liabilities - SRTF	310,046,692	308,574,603
Others	1,003,689	478,689
	311,050,381	**309,053,292**

The PCIC-SRTF was created under Letter of Instructions (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 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 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 by their continued participation in the supervised credit program.

A special guarantee payment scheme was evolved 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 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 Investment -Current as disclosed in Note 7. And the SRTF Cash in Bank of P120,989 is included in the Cash in Bank Current Account -General and Administrative Fund in Note 6

23. DEFERRED CREDITS/UNEARNED INCOME – NON-CURRENT

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

	2020	**2019**
Deferred credits/unearned income	1,050,221	46,002,010
	1,050,221	**46,002,010**

24. CONTRIBUTED CAPITAL

Under RA No. 8175, authorized share capital of 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, 2020, the Corporation’s subscribed capital stock amounting to P1.500 billion was fully paid by the NG.

25. STOCKHOLDERS’ EQUITY

This account consists of the following:

	2020	**2019**
Share capital	100,000,000	100,000,000
Share premium	159,451,431	159,451,431
	259,451,431	**259,451,431**

25.1 SHARE CAPITAL

The total authorized preferred share is five million shares with par value of P100 per share. As at December 31, 2020, the Corporation's paid-up Share capital stood at P100 million subscribed and paid by LBP.

25.2 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.

26. CUMULATIVE CHANGES IN FAIR VALUE

The Cumulative changes in fair value comprises of the net unrealized gains (losses) from changes from marking to market of investment held as Financial Assets – Available for Sale. The net change for each year are as follows:

	2020	2019
Unrealized gain/(loss), January 1,	**15,718,890**	(24,243,097)
Unrealized gains/(losses) during the year:		-
Recognized during the year - maturity/withdrawal	**(15,718,890)**	39,961,987
Unrealized gain, December 31	**-**	**15,718,890**

27. RETAINED EARNINGS

	2020	2019 As restated
Balance, beginning of year	1,286,257,432	330,011,568
Add/(Deduct):		
Prior period adjustments		486,758
Dividends	(630,183,351)	
Net income, as restated	634,149,626	955,759,106
Balance, end of the year	**1,290,223,707**	**1,286,257,432**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Retained Earnings as at December 31, 2019 is restated as follows:

	Amount
Retained earnings, January 1, 2019	**330,011,568**
Add/(Deduct):	
Unrestated Net Income	911,089,213
Adjustments to SCI:	
Claims Benefits - HVC	129,944,260
Premium Reserve - HVC	81,602,533
Claims Benefits - Corn	28,550,543
Premium Reserve - Palay	22,862,750
Premium Reserve - Livestock	3,568,755
Premium Reserve - ADSS	2,339,405
Premium Reserve - Corn	1,493,518

	Amount
Claims Benefits - Fisheries	1,400,117
Premium Reserve APPP	857,770
Premium Reserve PF	750,421
Claims Benefits - NCI	645,064
Commission Expense	567,589
Other Professional services	492,815
Claims Benefits - livestock	230,151
Premium Reserve - LRPP	162,365
Repairs and Maintenance - Leasehold	151,625
Electricity expenses	57,198
Internet Expense	7,850
Depreciation expense - Office Equipment	7,795
Rent expense	(3,294)
Subscription expense	(3,924)
Membership due	(6,000)
Janitorial expense	(6,284)
Gross Premium - Corn	(6,310)
Water expense	(9,021)
Representation and Entertainment	(13,472)
Performance Based Bonus	(10,000)
Telephone expense - Landline	(26,681)
Other MOOE	(34,273)
Security expense	(35,979)
Travelling Expense	(46,983)
Fuel expense	(56,448)
Auditing Services	(60,167)
Training Expense	(60,500)
Depreciation Land Improvements	(66,052)
Claims Benefits - CLTI	(73,040)
Depreciation Leasehold & Leasehold Improvements	(95,962)
Salaries and wages regular	(110,556)
Cable, Satellite and Telephone expense	(118,664)
Depreciation expense - IT Equipment	(132,675)
Gross Premium - LRPP	(146,192)
Printing and binding expense	(180,369)
Depreciation expense - Motor Vehicle	(256,723)
Death Benefit	(290,000)
Semi expendable expenses	(676,873)
Leave benefit expense	(1,217,961)
Honoraria and incentives	(6,174,582)
Gross Premium - Palay	(14,754,896)
Interest Income	(21,910,230)
Claims Benefits - Palay	(184,438,520)
Restated Net Income	**955,759,106**
Prior Period Adjustments to SFP:	
Motor Vehicle	1,015,183
Furniture and Fixtures	266,110
Accumulated Depreciation – Motor Vehicle	(794,535)
	486,758
Retained Earnings, December 31, 2019, as restated	**1,286,257,432**

28. DIVIDENDS TO THE NATIONAL GOVERNMENT

For the dividend year (DY) 2020, PCIC declared dividends to the NG amounting to P317.075 million, representing 50 per cent of the year's net income. Also in DY 2020, PCIC paid additional P176.383 million representing adjustments of dividends for the DYs 2014 to 2018 as recommended by COA. In DYs 2015, 2016, 2017, 2018, and 2019, PCIC declared and remitted dividends to the NG through the BTr in the amount of P36.556 million, P22.559 million, P170.769 million, P160.901 million, and P453.810 million, respectively.

29. SERVICE AND BUSINESS INCOME

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

	2020	2019 As restated
Palay	3,061,885,137	2,880,443,324
Corn	937,691,109	1,083,864,078
HVC	555,314,517	1,002,522,760
Livestock	378,267,984	524,741,564
CLTI	63,410,631	108,533,187
Non-Crop	51,420,941	66,139,840
Fisheries	36,594,861	59,340,670
Total Insurance premiums	5,084,585,180	5,725,585,423
Less: Subsidy	3,500,000,000	3,500,000,000
Insurance premiums, net of subsidy	1,584,585,180	2,225,585,423
Less: Premium reserve	(148,457,726)	(108,196,908)
Premium discounts	562,948,188	43,928
Returns and cancellations	90,246	132,545
	1,170,004,472	**2,333,605,858**

Business and service income for CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	2,234,875,739
Add/(Deduct) Prior period adjustments: (Note 27)	
Ins./reins. prem.-Palay -BF-Farmer Share	(14,754,896)
Ins./reins. prem.-Corn -BF-Farmer Share	(6,310)
Ins./reins. prem.-CLTI -LRPP-BF-Farmer Share	(146,192)
Ins./reins. premium reserve	113,637,517
Business and service income, December 31, 2019, as restated	**2,333,605,858**

29.1 INSURANCE PREMIUMS, NET OF SUBSIDY

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

	2020	2019
Agri-Agra funds from BSP	757,808,113	1,918,369,511
Farmers, fisherfolks and LIs	255,720,540	205,371,592
PCIC funds and other sources	571,056,527	101,844,320
	1,584,585,180	**2,225,585,423**

Breakdown of sources of insurance premiums from farmers, fisherfolks and LIs:

	Farmers/ Fisherfolks	LIs	Total
Palay	71,479,000	28,397,836	99,876,836
Corn	26,069,158	7,901,735	33,970,893
HVC	13,264,832	-	13,264,832
Livestock	36,889,177	-	36,889,177
Non-crop	5,972,334	-	5,972,334
Fisheries	2,887,147	-	2,887,147
CLTI	62,859,321	-	62,859,321
	219,420,969	**36,299,571**	**255,720,540**

Pursuant to Section 5 of RA No. 8175 on 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.

29.2 PREMIUM RESERVE

This account is a contra account of the Insurance premiums and used to increase or decrease the statutory legal reserve for unexpired risks of PCIC or the Reserve for 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, Premium reserve is credited, therefore, increasing the premiums earned, but when the balance of reserve is less than the required, Premium reserve is debited which decreases the premiums earned. The required reserve is computed every month using the formula as provided in the PCIC Operations Manual. Details of Premium reserve are as follows:

	2020	2019
Palay	(126,437,608)	(93,541,411)
Corn	81,549,016	20,220,853
HVC	102,489,465	(41,867,803)
Livestock	60,918,267	(6,564,641)
Non-crop	4,381,208	7,806,915
Fisheries	9,377,440	(5,031,449)
CLTI	16,179,938	10,780,628
	148,457,726	**(108,196,908)**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Premium reserve for CY 2019 is restated as follows:

Business Line	2019 Unrestated amounts	Prior Period Adjustments	2019 As restated
Palay	(70,678,660)	(22,862,750)	(93,541,410)
Corn	21,714,371	(1,493,518)	20,220,853
HVC	39,734,730	(81,602,533)	(41,867,803)
Livestock	(2,995,887)	(3,568,755)	(6,564,642)
Non-crop	8,557,337	(750,421)	7,806,916
Fisheries	(5,031,449)		(5,031,449)
CLTI	14,140,167	(3,359,540)	10,780,627
	5,440,609	**(113,637,517)**	**(108,196,908)**

29.3 PREMIUM DISCOUNTS

This represents amount of premium discounts granted to assured farmers in accordance with PCIC policy.

	2020	2019
Premium discounts	562,948,188	43,928

29.4 RETURNS AND CANCELLATIONS

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

	2020	2019
Returns and cancellations	90,246	132,545

30. OTHER NON-OPERATING INCOME

This account consists of the following:

	2020	2019 As restated
Interest income	192,636,868	152,873,598
Fees and commission income	158,177	187,980
Gain on sale of property and equipment	-	23,882
Other miscellaneous income	77,621,243	5,383,607
	270,416,288	**158,469,067**

Other Non-operating income for CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	180,379,297
Deduct: Prior period adjustment: (Note 27)	
Interest income - bonds	(21,910,230)
Other non-operating income, December 31, 2019, as restated	**158,469,067**

31. DIRECT COSTS

This account consists of the following:

	2020	2019 As restated
Insurance benefits	3,500,148,674	4,212,513,691
Underwriting expenses:		
Commission expense	69,926,616	62,583,760
Death benefits	7,358,000	7,948,000
Honoraria and incentives	16,923,621	22,254,574
Reinsurance premiums ceded treaty/facultative	554,366	666,117
	3,594,911,277	**4,305,966,142**

Direct cost for CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	4,276,327,725
Add/(Deduct) Prior period adjustments: (Note 27)	
Crop/non-Crop insurance benefits - Palay-BF-RSBSA	184,438,520
Crop/non-Crop insurance benefits - Corn-SFF-RSBSA	(28,550,543)
Crop/non-Crop insurance benefits - HVC-SFF-RSBSA	(129,944,260)
Crop/non-Crop insurance benefits - Livestock-SFF-RSBSA	(230,151)
Crop/non-Crop insurance benefits - Fisheries-SFF-RSBSA	(1,400,117)
Crop/non-Crop insurance benefits - Non-crop Fire-SFF-RSBSA	(645,066)
Crop/non-Crop insurance benefits - CLTI-APPP-BF	73,040
Death nenefit – Palay	290,000
Honoraria and incentives	6,174,582
Underwriting Expenses -fees and commission - Palay	(567,588)
Direct cost, December 31, 2019, as restated	**4,305,966,142**

31.1 INSURANCE BENEFITS

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

	2020	2019 As restated
Palay	2,235,157,818	2,755,545,949
Corn	754,910,002	849,449,785
HVC	289,948,414	436,244,840
CLTI	45,168,830	48,824,355
Livestock	136,944,706	68,356,498
Fisheries	16,865,797	19,404,601
Non-crop	21,153,107	34,687,663
	3,500,148,674	**4,212,513,691**

In accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Insurance Benefits for CY 2019 was restated as follows:

Business lines	2019 Unrestated amount	Prior Period Adjustment (Note 27)	2019 As restated
Palay and Corn	3,449,107,757	155,887,977	3,604,995,734
HVC	566,189,100	(129,944,260)	436,244,840
CLTI	48,751,315	73,040	48,824,355
Livestock	68,586,650	(230,151)	68,356,499
Fisheries	20,804,718	(1,400,117)	19,404,601
Non-crop	35,332,727	(645,065)	34,687,662
	4,188,772,267	**23,741,424**	**4,212,513,691**

31.2 COMMISSION EXPENSE

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

	2020	2019 As restated
Commission Expense	**69,926,616**	**62,583,760**

Commission expense for CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	63,151,349
Deduct: Prior period adjustment: (Note 27)	
Commission expense - Palay	(567,589)
Commission Expense, December 31, 2019, as restated	**62,583,760**

31.3 DEATH BENEFITS

This is a built-in death benefit component of the insurance package for palay 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.

	2020	2019 As restated
Death benefit	7,358,000	7,948,000

Death Benefit for CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	7,658,000
Add: Prior period adjustment: (Note 27)	
Death benefit - Palay	290,000
Death benefit, December 31, 2019, as restated	**7,948,000**

31.4 REINSURANCE PREMIUMS CEDED TREATY/FACULTATIVE

This represents premium on outward cessions under treaty/facultative agreement with reinsurers.

	2020	2019
Reinsurance premiums ceded treaty/facultative	554,366	666,117

32. PERSONNEL SERVICES

This account consists of the following:

	2020	2019 As restated
Salaries and wages	106,065,203	108,147,984
Other compensation	52,116,147	48,196,652
Other personnel benefits	16,106,427	19,987,906
Personnel benefits contribution	21,402,405	21,441,537
	195,690,182	**197,774,079**

Personnel Services for CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	193,508,562
Add/(Deduct) Prior period adjustments: (Note 27)	
Salaries and wages - regular	110,556
Other bonuses and allowances	(15,000)
Terminal leave benefits	1,217,961
	194,822,079
Add: Reclassification of directors and committee members' fees from Other MOOE to PS	**2,952,000**
Personnel services, as restated	**197,774,079**

Other compensation consists of the following:

	2020	2019
Personnel economic relief allowance	4,758,471	4,780,788
Representation allowance	5,100,800	4,946,925
Transportation allowance	4,902,709	4,781,802
Clothing/uniform allowance	1,212,000	1,248,000
Subsistence allowance	60,000	20,000
Quarters allowance	120,000	108,000
Productivity incentive allowance	580,000	751,750
Hazard pay	728,250	-
Longevity pay	359,902	498,421
Overtime and night pay	687,544	1,749,086
Year end and 13th month bonus	17,655,481	18,024,340
Cash gift	936,750	958,500
Other bonuses and allowances	12,062,240	7,377,040
Directors and committee members' fees	2,952,000	2,952,000
	52,116,147	**48,196,652**

Other personnel benefits consist of the following:

	2020	2019
Terminal leave benefits	13,553,596	16,945,161
Other personnel Benefits	120,000	120,000
Other bonuses and allowances - meals	396,506	483,518
Other bonuses and allowances – children's	1,500,746	5,707
Other bonuses and allowances - palay subsidy	3,774	1,780,510
Other bonuses and allowances - medical, dental and hospital	115,000	552,840
Other bonuses and allowances - loyalty	416,805	100,170
	16,106,427	**19,987,906**

33. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

	2020	2019 As restated
Professional services	289,448,448	261,964,893
Traveling expenses	42,403,672	53,782,939
Taxes, insurance premiums and other fees	34,258,562	40,066,498
Supplies and material expenses	25,768,883	22,245,629
Training and scholarship expenses	4,309,366	20,841,571
Utility expenses	17,344,358	20,084,771
Communication expenses	12,088,253	11,900,246
General services	11,766,925	10,809,134
Repairs and maintenance	6,778,452	8,447,709
Survey, research, exploration and development	2,720,472	3,608,959
Confidential, intelligence and extraordinary expenses	2,058,698	1,692,230
Other MOOE	43,016,264	49,797,612
	491,962,353	**505,242,191**

MOOE for CY 2019 was restated as follows:

	2019 Unrestated amounts	Prior Period Adjustments	2019 As restated
Professional services	262,397,540	(432,647)	261,964,893
Traveling expenses	53,735,956	46,983	53,782,939
Taxes, insurance premiums and other fees	40,066,498	-	40,066,498
Supplies and material expenses	22,245,629	-	22,245,629
Training and scholarship expenses	20,781,071	60,500	20,841,571
Utility expenses	20,076,501	8,270	20,084,771
Communication expenses	11,762,751	137,495	11,900,246
General services	10,766,871	42,263	10,809,134
Repairs and maintenance	8,599,334	(151,625)	8,447,709
Survey, research, exploration and development	3,608,959	-	3,608,959
Confidential, intelligence and extraordinary expenses	1,692,230	-	1,692,230
Other MOOE	52,483,280	266,332	52,749,612
	508,216,620	**(22,429)**	**508,194,191**
Reclassified account from Other MOOE to PS directors and committee members' fees	2,952,000	-	2,952,000
MOOE, December 31, 2019, as restated	**505,264,620**	**(22,429)**	**505,242,191**

Supplies and materials expenses consist of the following:

	2020	2019
Office supplies expense	16,657,405	14,879,664
Accountable forms expense	4,499,344	2,654,741
Semi-expendable machinery and equipment expenses	2,158,347	2,116,335
Semi-expendable furnitures, fixtures and books	1,613,797	1,542,212
Other supplies and materials expenses	839,990	1,052,677
	25,768,883	**22,245,629**

Training and scholarship expenses consists of the following:

	2020	2019
Training expenses	4,279,162	20,709,431
Cultural and athletic expenses	30,204	132,140
	4,309,366	**20,841,571**

Utility expenses consists of the following:

	2020	2019
Electricity expenses	11,025,542	12,150,467
Fuel, oil and lubricant expenses	5,268,542	6,915,099
Water expenses	870,735	933,861
Other utility expenses	179,539	85,344
	17,344,358	**20,084,771**

General services consists of the following:

	2020	2019
Security services	8,237,836	7,495,773
Janitorial services	3,522,879	3,152,690
Other general services	6,210	160,671
	11,766,925	**10,809,134**

Other MOOE consists of the following:

	2020	2019
Rent/lease expenses	30,854,188	24,977,392
Advertising, promotional and marketing expenses	6,403,983	14,656,558
Representation expenses	1,836,278	3,503,094
Subscription expenses	925,434	793,171
Transportation and delivery expenses	380,602	189,179
Printing and publications expenses	92,900	219,532
Donations	2,100	25,000
Membership dues and contributions to organization	1,700	35,559
Other maintenance and operating expenses	2,519,079	5,398,127
	43,016,264	**49,797,612**

34. FINANCIAL EXPENSES

This account consists of the following:

	2020	2019
Management supervision/trusteeship fee	1,593,955	2,661,839
Bank charges	718,009	410,000
Other financial charges	1,852,795	1,025,406
	4,164,759	**4,097,245**

35. NON-CASH EXPENSES

This account consists of the following:

	2020	2019
Depreciation expense (Note 13)	17,543,174	18,778,130
Amortization expense (Note 14)	650,466	639,826
Impairment loss	40,132	60,125
Losses	1,308,791	3,758,081
	19,542,563	**23,236,162**

Non-cash expense CY 2019 was restated as follows:

	Amount
Unrestated amount, December 31, 2019	22,015,671
Add: Prior period adjustment: (Note 27)	
Depreciation expenses	1,220,491
Non-cash expense, December 31, 2019, as restated	**23,236,162**

Depreciation expense for CY 2019 was restated as follows:

	2019 Unrestated amounts	Prior Period Adjustments	2019 As restated
Depreciation - land improvements	213,355	66,052	279,407
Depreciation - buildings and other structures	516,973	-	516,973
Depreciation - machinery and equipment - office equipment	2,211,761	(7,796)	2,203,965
Depreciation - machinery and equipment - IT equipment	6,740,299	132,675	6,872,974
Depreciation - transportation equipment	6,375,412	256,723	6,632,135
Depreciation - furniture, fixtures and books	716,500		716,500
Depreciation - leased assets improvements	769,689	95,963	865,652
Depreciation - other property, plant and equipment	13,650	676,874	690,524
Depreciation expenses, as restated	**17,557,639**	**1,220,491**	**18,778,130**

36. 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 was approved by the President of the Philippines.

For the year 2020, the approved GPS amounted to P3.500 billion, representing 100 per cent cost of insurance premium of farmers and fisherfolks listed under the RSBSA for all the insurance program of PCIC under Special Allotment Release Order (SARO) No. SARO-BMB-C-20-0014300 dated July 21, 2020.

Aside from the P3.500 billion approved GPS for farmers and fisherfolks listed under the RSBSA, PCIC also underwrites P1.328 billion worth of premium production. Below is the breakdown of Insurance premiums – Government share:

	2020
Premiums from GPS for RSBSA listed farmers and fisherfolks	3,500,000,000
Premiums given to farmers and fisherfolks in excess of the approved GPS sourced from Agri-Agra funds from BSP, PCIC funds and other sources	1,328,864,640
	4,828,864,640

37. RENUMERATION OF KEY MANAGEMENT PERSONNEL

Below are the key management personnel compensation for the year ended December 31, 2020 and 2019.

	2020	**2019**
Post-employment benefits	220,935	184,904
Short-term employee benefits	13,745,124	12,073,554
	13,966,059	**12,258,458**

The Short-term employee benefits includes salaries and allowances received by the President, Senior Vice President and Vice Presidents. It also includes per diems and allowances received by the members of the BOD for the year.

The Post-employment benefits represents benefits received by the above personnel after their tenure to PCIC. This is the share of PCIC to their provident fund contribution.

	2020	**2019**
I. Basic Salary	6,782,237	5,903,217
II. Allowances and other benefits		
PERA/ADCOM	96,000	82,839
Collective negotiation agreement incentives	100,000	75,000
Honoraria		25,000
Per diem on board meetings attended	2,952,000	2,952,000
Clothing/uniform allowance	18,000	18,000
Dependent's allowance	360	360
Meal allowance	19,800	16,181
Gasoline allowance	46,932	110,295
Representation allowance	504,000	441,000
Transportation allowance	336,000	263,000
Bonus - service recognition incentive	40,000	30,000

	2020	2019
Cash gift	20,000	20,000
Longevity pay	22,560	17,545
Extraordinary and miscellaneous expenses	661,661	298,600
All other allowances and benefits		
1) Rice subsidy	72,000	60,000
2) Performance-based incentive	576,750	576,000
3) Performance-based bonus	118,668	15,000
4) Productivity enhancement incentive	20,000	15,000
5) COVID-19 hazard pay	43,500	
6) Mid-year bonus	564,828	497,759
7) Year-end bonus	564,828	497,758
8) Cellphone allowance	180,000	159,000
9) Loyalty cash award	5,000	
Subtotal	6,962,887	6,170,337
Total short-term employee benefits	13,745,124	12,073,554
Indirect benefits		
Provident fund - employer share	220,935	184,904
Total post employment benefit	220,935	184,904
Total renumeratiron of key management personnel	**13,966,059**	**12,258,458**

38. COMPLIANCE WITH BIR 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 PFRS 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 BIR RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

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

In compliance therewith, 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. PCIC withheld corresponding taxes on payments of compensation of employees, fees to directors, and cost or purchase price to contractors and suppliers of goods.

2. The documentary stamp taxes paid/accrued during the year totaled P2.021 million.

3. The amount of withholding taxes paid for the year amounted to P56.422 million as follows:

Particulars	Amount
Final withholding taxes	30,704,985
Compensation and benefits	13,615,106
Expanded withholding taxes	7,284,552
Percentage tax	4,180,580
GRT	637,153
	56,422,376

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

4. 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 do not tally with the tax which should be remitted based on the CY 2013 PCIC's financial statements.

The reason that the tax remittances for CY 2013 does not tally with what should be remitted is because BIR only looked at the remittances from the PCIC HO, without considering the remittances from the 13 PCIC ROs.

39. COMPLIANCE WITH GSIS, PAG-IBIG AND PHILHEALTH LAW

In compliance with the requirements of RA No. 8291, the total remittances made by PCIC to GSIS for the year 2020 corresponding to employer's share, employees' share, and employee compensation amounted to P13.296 million, P9.866 million, and P0.243 million, respectively.

The amount remitted to Pag-IBIG for the year corresponding to employer's share and employees' share amounted to P242,900 and P782,764, respectively.

The amount remitted to PhilHealth for the year for employer's share and employees' share amounted to P1.628 million and P1.618 million, respectively.

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The Premiums Receivable from the National Government (NG) under the Receivable accounts in the Statement of Financial Position (SFP) with balance of P460.976 million were not derecognized despite the expiration of the right to its cash flows and therefore, no longer valid, thus uncollectable. Thus, the carrying amount of Receivable account of P1.610 billion is overstated by P460.976 million. The presentation of the Receivable account does not also comply with the provision on the derecognition of financial assets prescribed under the Philippine Financial Reporting Standard (PFRS) 9.

1.1. The Philippine Crop Insurance Corporation (PCIC) is a government-owned and controlled corporation (GOCC) created by virtue of Presidential Decree (PD) No. 1467 on June 11, 1978, as amended by PD No. 1733 on October 21, 1980 and further amended by Republic Act (RA) No. 8175 on December 29, 1995. It is the Implementing Agency of the government's agricultural insurance program. PCIC is an attached Corporation of the Department of Agriculture (DA), with principal mandate of providing insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of their palay and corn crops as well as other crops.

1.2. Section 6 of PD No.1467 provides that:

> *Premium Subsidy*
>
> *6.1 For the first year of the operation of the Corporation, the required Government premium subsidy, as determined by the Board and approved by the President of the Philippines, shall be deemed appropriated from the funds of the National Treasury not otherwise appropriated, and shall be drawn, on a month-to-month or other periodic bases, depending upon the actual amount of insurance underwritten by the Corporation. For this purpose,* ***the Corporation shall bill the Government the sum of money corresponding to the computed amount of subsidy.***
>
> *6.2 For subsequent years,* ***yearly projections of the premium subsidy shall be submitted by the Corporation to the President of the Philippines, and upon his approval shall be included in the government budgetary appropriations****.* (Emphasis ours)

1.3. Moreover, Section 6 of RA No. 8175 amends the above provision, by adding three new paragraphs thereof, which include subsection 6.3, to wit:

> *Unappropriated and/or unreleased government premium subsidy for policies written for the period from May 1, 1981 up the approval of this Act computed on the basis of premium rates and sharing previously approved by the President as authorized by law* ***shall be programmed for payment by the Government within a period of ten (10) years from the approval of this Act, and the yearly sums shall be included in the budgetary appropriations for submission to Congress, starting the fiscal year***

following approval hereof, in addition to the premium subsidy requirement for the year involved. (Emphasis ours)

1.4. The balance of Receivable account in the SFP amounted to P1.610 billion as of year-end. Review of the General Ledger (GL) and SFP, as well as, Note 12 to Financial Statements (FS) on the Premiums Receivable – Long Term from the NG amounting to P460.976 million as of December 31, 2020 consisted of the following:

Table 1 – Details of Premiums Receivable Arrearages

Particulars	**Amount (in millions)**
Balance of Premiums Receivable Arrearages due from the NG under RA No. 8175	P 168.759
Accumulated unreleased GPS after RA No. 8175	146.906
Unreleased balance for Calendar Year (CY) 2009 per General Appropriations Act (GAA) under RA No. 9524	71.791
Unreleased balance for CY 2010 per GAA under RA No. 9970	73.520
	P 460.976

1.5. The Manager of Finance Department mentioned that any excess from the Government Premium Subsidy (GPS) from the NG will be applied to the receivable account, however, the GPS under the GAA is usually lower than the Premiums Receivable per Actual Production or actual amount of insurance underwritten by the Corporation under the Registry System for Basic Sectors in Agriculture (RSBSA).

1.6. The response of the Officer-in-Charge (OIC)–Director IV, Budget and Management Bureau (BMB)-C of Department of Budget and Management (DBM) to the letter inquiry dated June 10, 2021 of the Audit Team disclosed that there was no unreleased appropriation due to the PCIC regarding its premium subsidy as of December 31, 2020. The DBM Director also mentioned that the unexpended balance of appropriations authorized in the GAA shall revert to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not be thereafter be available for expenditure except by subsequent legislative enactment (Section 33 of PD No. 1177 dated July 30, 1977). Hence, the unreleased appropriation, in the case of GOCCs, shall revert to the General Fund at the end of the fiscal year, not unless the validity is extended by virtue of another law approving the same.

1.7. Paragraph 3.2.3 of PFRS 9 provides that:

An entity shall derecognize a financial asset when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire, or
(b) it transfers the financial asset as set out in paragraphs 3.2.4 and 3.2.5 and the transfer qualifies for derecognition in accordance with paragraph 3.2.6.

1.8. The adoption of PFRS No. 9 under Note 2.4 of the Notes to Financial Statements (FS) prescribed the derecognition of financial assets, as follows:

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 risk and rewards of ownership of the asset to another entity.

1.9. Likewise, Section 11 of Chapter 7 of the GAM, Volume I, provides that:

Derecognition of Financial Assets. Derecognition is the process of removing a previously recognized financial asset, liability or equity from the statement of financial position. An entity shall derecognize a financial asset when, and only when:

a. The contractual rights to the cash flows from the financial asset expire or are waived; or

b. Xxx

The derecognition of financial assets is subject to the provisions of PD No. 1445 on the writing off of receivables and other policies issued by the COA.

Xxx

1.10. In view of the foregoing, the recognition of Premiums Receivable from the NG in the amount of P460.976 million is no longer valid therefore uncollectible since the corresponding appropriation had already expired. Thus the Premiums Receivable account is overstated by the same amount as at year-end.

1.11. We recommended that Management request from the Commission on Audit (COA) for authority to write-off the outstanding balance of the Premiums Receivable in the amount of P460.976 million, as basis for its derecognition from the balance of Receivable account in compliance with PFRS 9.

1.12 According to the PCIC President, they will request from the COA for authority to write-off the Premiums Receivable arrearages.

2. Dormant and long outstanding receivables aggregating P116.065 million or 95.14 per cent of the Other Receivable account of P121.983 million as at year-end were not supported with documents. The aging of receivables is not compliant with the guidelines set forth under COA Circular No. 2016-005. PCIC has no specific guideline on the proper assessment of the collectability of receivables to provide basis for the proper and adequate set up of allowance for its impairment, as well as its fair presentation in the financial statements, resulting in failure to collect receivables.

2.1 Paragraph 5.4 of COA Circular No. 2016-005 dated December 19, 2016, which prescribes the Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of National Government Agencies (NGAs), Local Government Units (LGUs) and GOCCs, defines Dormant Receivables as:

Accounts with balances remained inactive nor non-moving in the books of accounts for ten (10) years or more and where settlement/ collectability could no longer be ascertained.

2.2 Further, the purpose of the issuance of the COA Circular, as provided under Paragraph 2.0 thereof, is to prescribe the guidelines and procedures in reconciling and cleaning the books of accounts of NGAs, LGUs, and GOCCs of dormant receivable accounts, among others, for fair presentation of accounts in the FSs.

Dormant receivables amounting to P116.065 million without supporting documents-

2.3 Out of the total of P122.258 million, P116.065 million or 95.15 per cent of the Other Receivable accounts were not supported with documents. Details of the status of receivables without supporting documents in the Head Office (HO) and Regional Offices (ROs) are summarized in Table 2.

Table 2 – Status of Other Receivable Accounts

Office	Balance (in millions)	Status
HO	P 1.015	Aged four to over 25 years. Documents are still being gathered to support the request for write off of the account.
I	11.982	Outstanding for more than 15 years. Only the ledger balances are available. The supporting documents of the said receivables could no longer be located, hence collection may not be enforced.
III	15.441	Provided with 100 per cent Allowance for Impairment, thus, have zero realizable value.
III-A	87.627	Most of the accounts are with age of more than 30 years. The demand letters dated September 8, 2020 were sent to various remaining/existing Lending Institutions (LIs) because most of these LIs have closed already. However as of this writing, no replies/answers were received from these existing LIs.
	P 116.065	

2.4 Reports from the ROs disclosed that collections of dormant receivables cannot be enforced due to non-availability of supporting documents. Moreover, it is also worthy to note that the Management in RO No. III-A wrote a letter dated September 7, 2020 to the Manager of Finance Department of PCIC-HO requesting for an update of PCIC's centralized request for the write-off of the above dormant accounts. In his reply, the Office of the Vice-President of the Support Services Group (VP-SSG) mentioned that they are still in the process of completing and finalizing the required documents to be submitted to COA to support the request for write-off of the above dormant accounts.

2.5 A request for authority to write-off of dormant receivables submitted to the HO Audit Team in CY 2021 pertained to receivables recorded in the ROs. However, evaluation of the request for write-off could not be made due to non-submission of documents required under COA Circular No. 2016-005, including, but not limited to the suggested template in Annex 1 thereof for the aging of Receivable accounts with additional columns for Past Due for the dormant Receivables 10 years and above.

2.6 The Manager of Finance Department mentioned that they are having a hard time in gathering the documents due to lack of proper turnover of documents and non-maintenance of SLs for the receivables in prior years, thus proper monitoring, regular verification, analysis, validation of existence of these dormant accounts could not be completed.

No specific guideline on the proper assessment of collectability and set up of allowance for impairment of receivables -

2.7 An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall measure the amount of loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account.

2.8 In case of Accounts Receivable, the Allowance for Impairment shall be provided in an amount based on collectability of receivable balances and evaluation of such factors such as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts.

2.9 The adoption of PFRS 9 under Note 2.4 to FS was discussed under Paragraph 1.8.

2.10 The policy of PCIC on impairment of financial assets is disclosed under Note 3.a, Allowance for Impairment of the Notes to FS for CY 2020, to wit:

> *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 Agency'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.*

2.11 Likewise, in RO No. XII, the audit disclosed that 100 per cent allowance for impairment was provided without presentation of the basis or ground for such provision. Management commented that the percentage used to set up of allowance for impairment on all dormant receivable was provided by the HO via issuance of Unnumbered Memorandum dated September 09, 2014.

2.12 Allowance for impairment of receivables supposedly represents Management's best estimate of the amount of accounts receivable deemed to be uncollectible. The estimate is usually based on an expectation of collectibles which may arise from subsequent actual experiences, or where such experiences differ remarkably from expectations, Management could adjust its estimation methodology to ensure that appropriate valuation would present the receivable balance at its net realizable value.

2.13 However, the PCIC policy on allowance for impairment did not provide a supplementary information or qualification for the set up of allowance of 10 to 100 per cent as well as guideline on proper assessment of collectability, including necessary documentation of assessment on aging, monitoring, verification and analysis performed, resulting in failure to collect receivables.

2.14. We reiterated our prior years' recommendation that Management require the Accounting Division in HO and Administrative and Finance Division (AFD) in ROs to conduct proper monitoring and regular verification, analysis and validation of the existence of the transactions recorded under receivables to ensure the correctness and reliability of the reports and balances of all accounts affected.

2.15. We also recommended that Management:

a. Review the policy on the impairment of financial assets to ensure that guidelines on the proper assessment of collectability and parameters in setting up of allowance for impairment are well defined;

b. Require the Accounting Division to:

b.1 Properly evaluate the collectability of receivable balances considering, among others, the age of accounts and/or possibility of collection;

b.2 Provide the appropriate allowance for impairment, where necessary; and

b.3 Prepare the revised aging of Receivable accounts with additional columns for the dormant Receivables-Past Due ten years and above, with suggested columnar headings, as follows:

- **For Receivables outstanding for less than 10 years:**
  - **(i) Name of Debtor**
  - **(ii) Transaction Date**
  - **(iii) Amount**
  - **(iv) Aging of Receivables Accounts**
    - **Current**
    - **Over 1 year but less than 3 years**
    - **3 years but less than 5 years**
    - **5 years but less than 10 years**
  - **(v) Remarks**

- **For Receivables outstanding 10 years or more (template in Annex 1 of COA Circular No. 2016-005)**
  - **(i) Name of Debtor**
  - **(ii) Transaction Date**
  - **(iii) Aging of Dormant Receivable Accounts**
    - **Amount**
    - **10 years**
    - **11 to 15 years**
    - **16 to 20 years**
    - **More than 20 years**
  - **(iv) Remarks (Reason for being dormant)**

c. Require the Finance Department to give utmost concern on cleaning of receivables accounts and ensure that the re-submission of the documents on the request for authority to write-off of long outstanding receivables with

remote collectability are compliant with the requirements set forth under COA Circular No. 2016-005.

2.16. Management agreed to comply with the audit recommendations. Likewise, the Finance Department will act on the re-submission of documents on the request for authority to write off to be compliant with the requirements under COA Circular No. 2016-005.

3. The Gross Insurance Premium (GIP) of P5.085 billion per General Ledger (GL) differed by negative P1.849 million as compared with the Consolidated Premium Register (CPR) while the Insurance Benefits paid of P2.042 billion per GL differed by P15.700 million as compared with the Consolidated Claims Register (CCR), casting doubt on the reliability of the total amount of Insurance Premium and Insurance Benefits accounts. Moreover, several deficiencies were noted in the CPR and CCR generated from the PCIC Automated Business System (PABS) such as: (a) inconsistencies in the Dates of Occurrence of claims totaling P21.238 million as compared with the identification of the claims in the accounting; (b) the PABs accepts payment of claims totaling P1.922 million with payment dates earlier than the dates of loss and payments totaling P1.784 million with payment dates earlier than dates of approval; and (c) variance of P155,677 between the amount of insurance cover and indemnity claims paid. Thus, accuracy and completeness of the CPR and CCR to insure data integrity were not achieved.

3.1 The PCIC adopts three systems under the PABS, two of which are the Underwriting and Marketing System (UMS) and Claims Processing and Settlement System (CPSS). The UMS generates the CPR, which is a registry for all insurance premiums while the CPSS generates the CCR, which is a registry for all the claims paid per insurance line.

3.2 On the other hand, Insurance Premiums account represents the amount of premium paid by the farmer/fisherfolks, lending institution and/or amount subsidized by the NG recognized as GPS. While Insurance Benefits account consists of total insurance benefits paid, unpaid and/or unprocessed indemnity claims.

3.3 Review of the Statement of Comprehensive Income (SCI) as of December 31, 2020 submitted by the Finance Department and CY 2020 CPR and CCR submitted by the Planning and Management Information Office (PMIO) disclosed the following reiterated audit observations with updates:

The total amount of GIP has a difference of negative P1.849 million as compared with the CPR while the Insurance Benefits paid has a difference of P15.700 million as compared with CCR –

3.4 Comparison of the total amount of Gross Insurance Premiums reported in the SCI and in the CPR revealed a difference of negative P1.849 million, as shown in Table 4.

Table 4 – Difference Between the Balance of Gross Insurance Premiums Per SCI vis-à-vis CPR

Insurance Line	GIP	CPR	Difference
Rice	P 3,061,885,137	P 3,061,924,445	P (39,308)
Corn	937,691,109	941,496,351	(3,805,242)
High Value Crops (HVC)	555,314,517	555,094,492	220,025
Livestock	378,267,984	378,243,392	24,592
Fisheries	36,594,861	36,120,472	474,389
Non-crop Insurance (NCI)	51,420,941	51,875,374	(454,433)
Credit and Life Terms Insurance (CLTI)	63,410,631	61,679,445	1,731,186
Total	**P 5,084,585,180**	**P 5,086,433,971**	**P (1,848,791)**

3.5 A difference of P15.700 million has been noted for the actual insurance indemnity paid and reported in the SCI as compared with the amount in the CCR, summarized in Table 5.

Table 5 – Difference Between the Insurance Benefits Paid SCI vis-à-vis CCR

Insurance Lines	Per SCI*	Per CCR**	Difference
Rice	P 1,415,982,820	P 1,404,815,004	P 11,167,816
Corn	489,280,465	486,437,291	2,843,174
HVC	31,037,373	30,870,302	167,071
Livestock	65,084,543	62,208,242	2,876,301
Fisheries	(1,897,563)	7,276,700	(9,174,263)
Non-crop	10,453,185	3,487,338	6,965,847
CLTI	32,321,616	31,468,061	853,555
	P 2,042,262,439	**P 2,026,562,938**	**P 15,699,501**

**Amount per SCI excludes unpaid Insurance Benefits and Accrued Benefits Payable*
***Amount per CCR excludes claims tagged as Accruals and Prior Years' Adjustment*

3.6 Discrepancies between the total amount of Insurance Premiums and Insurance Benefits accounts between the SCI and PABS-generated Registers have become recurring issue for the PCIC over the past years and the Management informed that these discrepancies were due to the recording of accruals of claims and premiums in the PCIC Financial Management System (PFMS). However, after considering the accruals both in the total amount reported in the SCI and in the Registers, unreconciled differences still existed.

3.7 Also, we noted the decrease of 98.31 per cent or P807.079 million between the balances per SCI and per Registers for CY 2020 as compared with CY 2019, as shown in Table 6.

Table 6 – Decrease in Difference

Particulars	CY 2020	CY 2019	Decrease	
			Amount	Percentage
Actual Discrepancy between the total amount per SCI and CPR for Insurance Premiums	P (1,848,791)	P 16,790,905	P 18,639,696	111.01
Actual Discrepancy between the total amount per SCI and CCR for Insurance Benefits	15,699,501	804,139,195	788,439,694	98.05
	P 13,850,710	**P 820,930,100**	**P 807,079,390**	**98.31**

3.8 However, despite the significant decrease in the discrepancies in CY 2020 as shown in Table 6, the Insurance Premiums and Insurance Benefits accounts remained unreconciled with the PABS-generated registers, thus correctness of its balances could not be determined.

Inconsistencies in the Date of Occurrence (date of loss/damage) compared with the identification and recognition of the claims totaling P21.238 million in the Insurance Benefits account–

3.9 Insurance indemnity paid and reported in the CCR consisted of claims for current year and prior years which were tagged as either Current Year, Accruals, Prior Years' Adjustment or Undefined. For the purpose of comparability between the total amount between Insurance Benefits and CCR, only the claims which were tagged as Current Year were considered for CY 2020, as shown in Table 5. However, review of the CCR disclosed that there were various claims tagged as Current Year which occurred in prior years amounting to P13.541 million. Likewise, there were claims tagged as Accruals and Prior Years' Adjustments which occurred in CY 2020 amounting to P7.697 million. Details are shown in Table 7.

Table 7 – Inconsistencies in the Period of Occurrence of Loss/Damage

Insurance Line	Tagged as Current Year but Occurred in Prior Years	Tagged as Accruals and Prior Years' Adjustments but Occurred in Current Year	Total Amount of Claims Paid
Rice	P 8,925,775	P 4,598,428	P 13,524,203
Corn	2,166,247	741,233	2,907,480
HVC	390,515	1,540,327	1,930,842
Livestock	381,750	347,040	728,790
Fisheries	34,270	107,635	141,905
Non-Crop	8,229	179,343	187,572
CLTI	1,634,000	182,983	1,816,983
	P 13,540,786	**P 7,696,989**	**P 21,237,775**

3.10 As provided in the PCIC Operations Manual, a farmer/fisherfolk insured under Rice, Corn, HVC, Livestock and NCI Programs shall file the Notice of Loss (NL) within 10 calendar days from the date of occurrence of loss. While under Fisheries and CLTI, NL shall be filed within two and 45 calendar days, respectively, from the date of occurrence. Different rule applies in HVC in case of perils for a highly perishable crops wherein NL shall be filed within 72 hours to three calendar days. Whereas in Livestock, NL shall be filed within 24 hours in case of abnormally big number of deaths. However, Board Resolution No. 2014-043 amended the number of days of filing of NL for Rice and Corn Crop Insurance from 10 calendar days to 20 calendar days from the date of occurrence. Likewise, Board Resolution (BR) No. 2020-061 amended the filing of NL for Livestock Insurance Program from 10 calendar days down to seven calendar days from the death of the animal.

3.11 Moreover, claims under Rice, Corn, HVC and Fisheries Insurance Programs shall be settled within 60 calendar days from the submission of complete set of claims documents. While for the claims under Livestock, Non-Crop and CLTI, settlement shall be made within 45, 40 and 30 calendar days, respectively, from the submission of the complete documents to PCIC.

3.12 Despite the aforementioned revisions in the filing of NL, included under those tagged as current year occurrence are those with date of occurrence in CYs 2000, 2001, 2002, 2005, 2013, 2018 and 2019 with approval dates in CYs 2014, 2019 and 2020.

3.13 The result of verification of selected transactions from the list of Claims Tagged as Current Year but Occurred in Prior Year conducted in RO No. I disclosed that the loss occurred in prior years but claims were tagged as current year. The RO No. I Management explained that recording of claims is determined based on the date of filing of NL.

3.14 Likewise, validation in the RO No. IX disclosed that the date of NL was also used rather than the actual date of occurrence as indicated in the Claims Adjustment Verification Report (CAVR). It was noted that when these claims were encoded, the PABS version did not allow editing of the date of occurrence during processing of HVC CAVR, hence the date of occurrence was not updated.

3.15 Moreover, the total amount of claims paid and reported in the CCR also included paid claims tagged as Undefined totalling P4.587 million corresponding to 726 claims. Inquiry with the Information Technology (IT) Officer disclosed that the Undefined category was created to account for those claims which accounting entries cannot be determined in PABS. For that reason, it is probable that various claims were paid and recognized in accounts other than Insurance Benefits, Accrued Benefits Payable or Retained Earnings, thus cannot be identified as Current Year, Accruals or Prior Years' Adjustments in the CCR. He added that the claims tagged as Undefined in CCR may vary per region. Currently, they are communicating with the ROs to verify and study the circumstances and possible enhancement and revision in the PABS to address this issue.

3.16 The aforementioned observation could also be among the reasons of the discrepancies noted between the total amount in Insurance Benefits per SCI and CCR.

Payment date of loss/damage earlier than the date of occurrence and date of approval on 371 and 84 claims, totalling P1.922 million and P1.784 million, respectively **–**

3.17 Scrutiny of the CCR disclosed that errors in encoding of the dates were accepted by the system as there were various claims wherein the dates of payment of loss/damage were earlier than its date of occurrence totalling P1.922 million and earlier than date of approval totalling P1.784 million, summarized in Tables 8 and 9.

Table 8 – Claims with Date of Payment Earlier Than the Date of Occurrence

Insurance Line	No. of Claims	No. of Days	Amount
Rice	157	2 to 323 days	P 907,443
HVC	150	12 to 304 days	579,106
Corn	23	14 to 331 days	112,796
Livestock	25	2 to 279 days	168,290
Fisheries	8	113 to 314 days	67,015
Non-Crop	5	56 to 247 days	77,906
CLTI	3	18 to 310 days	9,476
	371	**2 to 331 days**	**P 1,922,032**

Table 9 – Claims with Date of Payment Earlier Than the Date of Approval

Insurance Line	No. of Claims	No. of Days	Amount
Non-Crop	13	1 to 11 days	P 1,229,184
Rice	40	1 to 166 days	414,515
HVC	30	1 to 9 days	132,568
Non-Crop	1	2 days	7,800
	84	**1 to 166 days**	**P 1,784,067**

3.18 Moreover, in RO No. XII, review of claims indemnity for rice and corn insurance benefits costing P124.074 million were granted despite that claims were filed before occurrence of loss or beyond 45 days thereafter.

3.19 Validation of selected transactions in RO Nos. VIII and IX disclosed that there were indeed instances where claims have been paid earlier than the date of occurrence as reflected in the system. However, verification of physical documents disclosed that insurance claims were not paid before the date of occurrence of loss/damage. The same could also be attributed to the use of the date of NL instead of the actual date of occurrence of loss.

3.20 The validation on claims with date of payment earlier than the date of approval was affirmed in RO No. VII. Also, the same was affirmed in RO No. VI, adding that there were instances where claims for approval were mixed up with an approved batch but nevertheless, were still processed by the AFD, thus corresponding checks were issued. Validation in RO No. VI noted that the PFMS used in the preparation of check did not have embedded controls to prevent the processing of claims not yet approved.

3.21 It was recommended in CY 2019 audit for the PMIO to provide validation controls to be embedded in the system that will detect the errors such as encoding of dates. During the Exit Conference for the CY 2019 Audit, Management mentioned that such validation controls were already embedded in the PABS in August 2019. However, there were still errors noted on the encoding of dates during CY 2020 as shown in Tables 8 and 9. As such, validation controls have not yet been fully integrated in the system.

Claims paid more than the amount of cover for 43 claims with a total variance of P155,677 –

3.22 Further review of the CCR revealed that 43 claims for HVC and Livestock were paid more than the amount of cover, as summarized in Table 10.

Table 10 – Claims Paid More Than the Amount of Cover

Insurance Line	No. of Claims	Claims Paid	Insurance Cover	Variance
Livestock	27	P 344,900	P 215,725	P 129,175
HVC	16	141,745	115,243	26,502
	43	**P 486,645**	**P 330,968**	**P 155,677**

3.23 The Amount of Cover refers to the maximum amount a beneficiary could claim for indemnity depending on the different factors based on the results of inspection and investigation. Audit of the CCR disclosed that 43 claims were paid with more that the amount of cover.

3.24 Validation in RO No. IV disclosed that the difference was only due to the tagging where there were in fact two claims paid in a specific check number but there was no indication thereof in the PABS. However, verification in RO No. V, disclosed that the Assessed Loss were inadvertently encoded in the PABS instead of actual loss approved, thus making the indemnity paid higher than the Amount of Cover.

3.25 Although the number of claims decreased from 453 in CY 2019 to 43 in CY 2020, as shown in Table 10, such incidents could have been avoided had there been a proper review of all documents supporting the indemnity claims prior to approval and releasing of the checks and encoding thereof in the CCR.

3.26 The above audit observations have been raised during the CYs 2017, 2018 and 2019 audits. However, the Audit Team did not receive the written response from Management regarding the status and course of actions to be taken after the Exit Conference for CY 2019 audit conducted on September 22, 2020.

3.27 The Finance Department and PMIO together with the ROs on the enhancement of the system and reconciliation of the accounts have been constantly exerting effort, thus, during the CY 2020 audit, the Audit Team noted that variances and errors significantly decreased as compared with the CY 2019 data. However, the presence of aforementioned issues indicates that the necessary enhancement of the PABS and strict reconciliation of the financial data which were recommended and discussed during the previous years were still not fully addressed.

3.28 The foregoing revealed that the PABS still lacked the necessary validation controls to detect and reject errors not addressed during the encoding and review of actual documents, and in the approval of pertinent data in the system and in the actual documents for insurance premiums and claims resulting in incorrect information in the CPR and CCR. Thus, it casts doubt on the accuracy and reliability of the total Insurance Premiums and Insurance Benefits accounts presented in the SCI due to the unreconciled amounts in the CPR and CCR, respectively.

3.29 We reiterated our prior year's audit recommendations that Management:

a. Instruct the Accounting Division in the HO and the Marketing and Sales Division (MSD) and Claims and Adjustment Division (CAD) of PCIC ROs to coordinate on a monthly basis and prioritize the reconciliation of variances between the SCI and CPR for Insurance Premiums and GPS, and CCR for Insurance Benefits, and make appropriate adjusting entries, if warranted;

b. Require the CAD and Regional Managers (RMs) to review thoroughly the data encoded in PABS, including its supporting documents, prior to on-line approval to ensure completeness and prevent occurrence of error in encoding;

c. Require the PMIO to:

c.1. Generate a copy of the CPR and CCR on a monthly basis for verification and validation by the Accounting Division in the HO and AFD in the ROs to detect errors, if any, and submit report thereon so that this would be addressed promptly by the PMIO; and

c.2 Direct the concerned programmers assigned at PMIO to immediately install the embedded controls in the PABS to accept only valid data; and

d. Require the RMs to submit documents to justify the claims paid more than the amount of insurance cover amounting to P155,677, otherwise, require the insured and the person responsible to refund the amount of overpayment.

3.30 We further recommended that Management:

a. Require the PMIO to:

a.1 Identify and address the inconsistencies noted in the Date of Occurrence summarized in Table 7;

a.2 Communicate with the AFD in the ROs to identify and study the reasons for the Undefined category and enhance the system to address the issue and come up with a more accurate reports; and

b. Require the AFD to ensure that proper accounts were used in recording claims paid particularly for the claims tagged as Undefined in the CCR and make the necessary adjustments, if warranted.

3.31 Management committed to strictly enforce the recommendations. Further, all ROs have designated data verifiers to ensure that all adjustments and corrections are recognized for timely detection of discrepancies and prevent occurrence of error in encoding. Also, the CAD with the IT team already addressed this issue, by conducting a Retooling and Reorientation course to their encoders. Likewise, they will require the IT Programmers to:

a. Generate a copy of the CPR and CCR on a monthly basis for verification and validation by the Accounting Division; and

b. Address the issue on the embedded controls and features in the PABS to accept only valid data and to implement the same immediately.

3.32 Also, Management will comply with the proper accounting/accrual of unpaid/unprocessed insurance indemnity claims and ensure that at year-end, all accruals shall be properly booked as Unpaid Insurance Benefits Account.

3.32 During the Exit Conference in the HO, the VP-SSG agreed with the Audit Team that the date of occurrence should be the actual date of occurrence of loss and not the date of filing of NL. He further mentioned that it was already discussed with the ROs, however, the same was still not complied with. Thus, he added that they will exert more effort in the dissemination of instructions to the ROs as well as will conduct further enhancement in the system.

3.33 Further, they guaranteed that the issue on payment over the Amount of Cover will be discussed with the ROs.

4. The Subsidiary Ledgers (SLs) to support the General Ledger (GL) control accounts were not maintained for 26 Payable accounts totaling P18.573 million in the HO and one Payable account in RO No. II with balance of P0.775 million as of December 31, 2020. In addition, 28 SLs balances did not tally with its respective GL control account in the HO with a total variance of P28.124 million, hence, the reliability of the balance of the Payable accounts in HO and RO No. II amounting to P58.829 million and P0.775 million, respectively, could not be ascertained.

Incomplete SLs to support the details of the GL control accounts -

4.1 Paragraph 15 of Philippine Accounting Standard (PAS) 1, provides, among others, that the 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.

4.2 Section 111 of PD No. 1445 requires that:

(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.

(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

4.3 Section 114 of the same law provides that:

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 were necessary.

4.4 Further, Item C of Appendix 6 of GAM, Volume II, provides that:

Xxx. The totals of the SL balances shall be reconciled with the corresponding GL controlling account.

4.5 Verification of the Payables account with the total balance of P50.829 million in the HO has 60 GL accounts that needs maintenance of corresponding SLs. However, only 34 accounts with total balance of P32.256 million were supported with SLs as at December 31, 2020. The remaining 26 accounts with balance of P18.573 million were not provided with SLs in the HO and one account with balance of P0.775 million in RO No. II, as shown in Table 11.

Table 11 – Payables Accounts without SLs

Account Name		**Amount**
HO:		
Other Payables - Others	P	9,316,091
Trust Liabilities - Others		7,347,893
Guaranty/Security Deposits Payable		1,203,989
Accounts Payable		646,160
Trust Liabilities – Department of Agriculture (DA) PCAF		347,925
Due To LGUs - Tax - Non-Crop - Fire		322,364
Trust Liabilities – Special Revolving Trust Fund (SRTF)		321,426
Due To Government Service Insurance System (GSIS) - Loans		291,355
Other Payables - Service Fee Payable		172,551
Due To Pag - IBIG - Contribution		66,134
Due To Bureau of Internal Revenue (BIR)		40,137
Due To LGUs - Tax - Non-Crop		38,260
Due To BIR - Document Stamp - Non-Crop - Motor Car		18,633
Due To LGUs - Tax - Non-Crop - Property Floater		7,766
Due To GSIS - Loans - Educational		7,247
Due To BIR – Premium Tax - Non-Crop - Commercial Car		3,708
Other Payables – National Home Mortgage Finance Corporation		1,682
Due To BIR - Document Stamp - High Value		155
Due To BIR - Prem. Tax - High Value		62
Due To Other Funds		-
Due To GSIS - Loans - Housing		(365)

Account Name	Amount
HO:	
Accrued Benefits Payable - Rice	(3,000)
Due To PhilHealth	(30,665)
Due To GSIS - Life & Retirement Premium	(435,761)
Trust Liabilities - Others	(525,000)
Due To GSIS	(585,437)
RO II:	
Accounts Payable	775,140
	P 19,348,450

4.6 As can be seen in the above table, six out of the 26 payables accounts in the HO without SLs have abnormal balances amounting to P1.580 million as of December 31, 2020.

The SLs maintained did not tally with the GL control accounts with a total variance of P28.124 million –

4.7 The Finance Department submitted electronic copies of the SLs for the Payables account on April 15, 2021. Validation of these SLs and comparison of the balances with the corresponding GL control accounts disclosed that the balances as of December 31, 2020 did not reconcile, with a total variance of P28.124 million, as summarized in Table 12.

Table 12 – Unreconciled Variances between the Balances of GLs and SLs

Account Name	GL Balance	SL Balance	Variance
Accounts Payable - COA	P 16,311,410	P (2,895,471)	P 19,206,881
Leave Benefits Payable	11,332,985	6,913,445	4,419,540
Other Payables - Accrued Expenses	1,759,112	293,071	1,466,041
Due To GSIS - Life & Retirement Prem. - ER	815,665	17,221	798,444
Due To BIR - Document Stamp - Non-Crop - Fire	781,262	37,438	743,824
Due To GSIS - Life & Retirement Prem. - EE	630,293	12,916	617,377
Due To BIR - Prem. Tax - Non-Crop - Fire	211,532	43,428	168,104
Due To Officers & Employees	99,188	51,022	48,166
Other Provisions - Provident Fund - Contribution - EE	96,197	2,637	93,560
Due To BIR - Withholding Tax - Percentage (1600)	87,761	74,906	12,855
Other Provisions - Provident Fund	55,661	(383,883)	439,544
Due To BIR - Withholding Tax – Exp & Ed (1601e)	26,376	39,954	(13,578)
Due To PhilHealth - Contribution – EE	21,669	(22,162)	43,831
Due To PhilHealth - Contribution – ER	21,469	(22,161)	43,630
Due To GSIS – ECC	15,377	300	15,077
Due To Social Security System - Job Order/Contract Of Service	13,320	(4,920)	18,240
Due To Pag - IBIG - Contribution - EE	8,500	(70)	8,570
Due To GSIS - Loans - GFAL	8,081	(58,889)	66,970
Other Provisions - Provident Fund - Contribution	7,271	7,271	-
Due To Pag - IBIG - Contribution - ER	4,500	300	4,200
Other Provisions - Provident Fund - Contribution - ER	4,016	4,719	(703)
Due To GSIS - Loans - Policy	3,578	(2,650)	6,228
Other Provisions - Provident Fund - Loans - Flexi	2,427	2,427	-
Due To GSIS - Loans - Emergency	1,967	(656)	2,623
Due To PhilHealth - Contribution	616	-	616
Accounts Payable - Inventory	-	-	-

Account Name	GL Balance	SL Balance	Variance
Other Provisions - Provident Fund - Loans –LTL	-	-	-
Other Provisions - Provident Fund - Loans - NBCA	-	-	-
Other Payables - Employees Association	(2,040)	(180)	(1,860)
Other Provisions - Provident Fund - Loans - Emergency Loan	(4,523)	-	(4,523)
Due To Pag - IBIG - Loans - Multi Purpose	(4,847)	(10,247)	5,400
Due To BIR - Withholding Tax - Compensation (1601c)	(10,871)	147,910	(158,781)
Due To GSIS - Loans - Consolidated	(18,754)	(92,257)	73,503
Accounts Payable - Accrued Expenses	(23,624)	(23,624)	-
	P 32,255,574	**P 4,131,795**	**P 28,123,779**

EE- Employees Contribution ER- Employer Contribution

4.8 Of the 34 Payables accounts supported with SLs shown in Table 12, only six GL accounts tallied with the supporting SLs, leaving 28 accounts unreconciled as at year-end. Further review revealed that the information in SLs were incomplete, and without details, such as office/address, contact number and email address of the creditors. The SLs also showed zero beginning balances; transactions recorded thereof were only for the current year. As such, the variance was mainly attributed to the absence of breakdown of transactions and its corresponding amounts for the prior years, to account for the beginning balance carried forward to the current year.

4.9 In addition, six GL accounts had abnormal balances totalling P64,659 which brings the total amount of abnormal balances for the Payables accounts of HO to P1.645 million as of December 31, 2020, as shown in Tables 11 and 12.

4.10 Further, maintenance of a summary report of the SL balances per GL account, if can be generated by the system, could make it easier for the Finance Department to monitor whether or not the SL balances were reconciled with corresponding GL control accounts. However, inquiry with the IT Officer revealed that currently, the system could not generate such report.

4.11 Absence of SLs had been already raised during CYs 2017, 2018 and 2019 audits. It was constantly recommended that the Finance Department conduct proper and regular monitoring, verification, analysis, validation, and review of the transactions recorded to ensure correctness and reliability of the reports and balances. However, during CY 2020, incomplete maintenance of SLs and unreconciled balances of SLs and GL accounts were still observed which indicates that the said recommendations have not been implemented.

4.12 The incomplete maintenance of SLs, unreconciled variances between the balances of the GLs and SLs due to the non-provision of the beginning balances of the SLs and the presence of the abnormal balances of the accounts rendered the balances of the Payables accounts amounting to P51.604 million in the SFP unreliable.

4.13. We reiterated our prior year's audit recommendations that Management require the Finance Manager to trace prior years' accounting entries to ascertain the cause of the abnormal balances and effect the necessary adjustments thereon.

4.14. We also recommended that the Management:

a. Require the Finance Department to:

a.1. Maintain SLs for all the Payables account and ensure that the totals of the SLs are reconciled with the balances reflected in the corresponding GL accounts;

a.2. Exert the necessary effort to trace and provide details and balances for the prior years' transactions which were not carried forward in the SL balances;

b. Require the PMIO to study the possibility of enhancing the accounting system by integrating a program that will enable to generate the SL summary report for each GL control account to aid the Finance Department in ensuring that the total of the SL balances and the corresponding GL control accounts are reconciled.

4.15. Management in the HO agreed to comply with the audit recommendations. However, they also mentioned that they are having a hard time in establishing the beginning balances of the accounts due to lack of documentation and proper monitoring in the previous years.

4.16. Management in RO No. II mentioned that the PCIC HO IT Team is still in the process of developing the SLs in the PFMS which upon completion will include among its features the SL Module. Hence, at the moment, the system cannot provide for an SL of the accounts. Nonetheless, in order to properly monitor and determine the accuracy of the balances of the various receivable and payable accounts, they maintain a manual schedule, in excel format, lodged with the Accounts Analyst II, who monitors the movements of the accounts through the said schedules.

5. The balances per GL and SLs of Investments in Bonds-Local and Interest Receivables-Bonds accounts showed discrepancies in the aggregate amount of P3.414 million and P33.798 million, respectively. Also, the reported balance of Fixed Rate Treasury Notes (FXTN)-05-75-60639 showed a discrepancy of P0.957 million with the computed amortized book value of the Investment affecting the reliability of the Investments account balance in the FS.

5.1 The requirement on fair presentation of the FS was discussed under Paragraph 4.1.

5.2 In addition, the accounts of an agency shall be kept in such detail as is necessary and should be reconciled with the corresponding GL controlling account, as discussed under Paragraphs 4.2 and 4.4 hereof.

5.3 As at December 31, 2020, the Investments classified as non-current asset had a reported balance of P1.601 billion, in which P1.399 billion represents the Investment in Bonds-Local. These accounts are measured at Amortized cost. Review of the accounting records, however, revealed unreconciled balances between the GL and SLs of the Investment in Bonds-Local account. The Investment in Bonds-Local account had a reported balance of P1.399 billion, while submitted subsidiary records for the said account totaled P1.402 billion, resulting in a discrepancy of P3.414 million, details presented in Table 13.

Table 13 – Comparison between Balance per SLs vis-à-vis GL of Investments in Bonds- Local

Particular	Balance as reported	Balance per SL	Discrepancy
LBP:			
RTB-03-09-483494	P 800,000,000	P 800,000,000	-
FXTN-05-75-60639	148,792,709	149,562,560	P 769,881
FXTN-05-75-60648	-	2,644,374	2,644,374
BTr:			
RTB-13	100,000,000	100,000,000	-
RTB-20	350,000,000	350,000,000	-
	P 1,398,792,709	**P 1,402,206,964**	**P 3,414,255**

RTB – Retail Treasury Bond LBP – Land Bank of the Philippines BTr - Bureau of the Treasury

5.4 Analysis of the accounts disclosed that the discrepancy in the GL balance and SL balances were attributed to the following:

(a) P2.644 million discrepancy in FXTN 05-75-60648 was due to JEV No. 2020-12-246 for the amortization of bond discount which was already cancelled but still recorded in the SL; and

(b) P0.770 million discrepancy in FXTN-05-75-60639 due to amortization of discounts which was not recorded in the GL.

5.5 Furthermore, audit of transactions revealed that the recorded book value of FXTN-05-75-60639 amounting to P148.793 million did not tally with the computed book value of the Investments based on amortization table. This resulted in the understatement of the reported balance of FXTN-05-75-60639, as well as cast doubts on the reliability of the reported balance of the Investment, with computation shown in Table 14.

Table 14 – Reported balance vis-a-vis Amortized Book Value of FXTN-05-75-60639

Particular	Amount
Balance as reported, December 31, 2020	P 148,792,709
Computed amortized book value as of December 31, 2020	149,749,226
Discrepancy	**P 956,517**

5.6 Meanwhile, Accrued Interest Receivables-Bonds account corresponding to the Investment accounts had a reported balance of P4.628 million, which, however, did not tally with totals in the SLs of P38.425 million, hence resulting in discrepancy amounting to P33.798 million, as shown in Table 15.

Table 15 – Comparison between Balance per SLs vis-à-vis GL of Interest Receivables-Bonds

Particulars		Amount
Investment in bonds:		
LBP:		
RTB-03-09-483494	P 15,600,000	
FXTN-05-75-60639	4,950,000	
FXTN 5-72 (P438.464M)	3,105,787	
FXTN 5-72 (P393M)	2,783,750	
FXTN 5-72 (P50M)	354,166	
FXTN 07-56-60646	(116,250)	P 26,677,453
BTr:		
RTB-13	1,475,000	
RTB-20	2,330,975	
RTB 10-4	(341,451)	3,464,524
Others		4,662,853
Investment in time deposits:		
LBP LTNCD2019	(129,356)	
LBP LTNCD2021	3,750,000	3,620,644
Balance per SLs		**38,425,474**
Balance per GL		**4,627,866**
Discrepancy		**P 33,797,608**

LTNCD – Long Term Negotiable Certificates of Time Deposit

5.7 The discrepancy was attributed to lack of regular monitoring and non-updating of SLs to reconcile with the GL balance, such that matured placements still had balances in their SLs, contrary to the provisions in Letter C of Appendix 6 of GAM, Volume II.

5.8 The aggregate discrepancy of P33.169 million (P3.414 million + P33.798 million + P0.957 million) between GL and SLs resulted in doubtful accuracy of the reported balance of Investments and Interest Receivable-Bonds account.

5.9. We recommended that Management require the Finance Department to:

a. Review and analyze the transactions recorded in both GL and SLs to determine the unrecorded transactions in the SLs and reconcile with the balance in the GL; and

b. Maintain a regularly monitored and updated SLs for the Investments in Bonds-Local and Interest Receivables accounts to support the detailed balances in the GL and FS.

5.10. Management agreed to comply with all the audit recommendations and will submit the necessary documentation to tally the GL and SLs of the Investments.

6. 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 SCI and overstatement of Other Deferred Credit account in the SFP by P8.057 million.

6.1 Part 4 of the Underwriting and Policy Issue of the Operations Manual Rice and Corn Insurance provides that underwriting agent are required to remit to the Teller the premium collection together with corresponding underwriting documents every 15 calendar days earlier, counted from the earliest date of Certificate of Insurance Cover (CIC) issuance.

6.2 The Insurance Underwriter verifies the completeness of the submitted documents and the accuracy of premiums remitted. If everything is in order, he/she indicates the date of receipt thereon, otherwise, returns deficient documents for correction. Then, a CIC will be prepared. The underwriting documents such as List of Borrowers (LOB), Consolidated Farm Information (CFI), Standard Farm Plan and Budget, and CIC together with the validated deposit slip will be forwarded to the Teller for the issuance of the Official Receipt (OR). After the issuance of OR, the Teller forwards the same with the underwriting documents to the Insurance Processor.

6.3 For premium payments made thru One-Way Savings Deposit Account (OSDA), the Teller checks the deposit slip and passbook if there are amounts credited representing premium collections. Upon receipt of underwriting documents with a deposit slip, the Teller assigns a special OR Number thru PFMS, logs to the manual logbook for monitoring purposes and forwards the same to the Insurance Processor.

6.4 Review and verification of the Report of Collection and Deposit and bank statement of the OSDA account of PCIC RO No. IV disclosed that collections totaling P1.261 million were remitted and deposited in CY 2020 but not yet recorded in the premium register due to the delay in the submission of underwriting documents for two to 349 days.

6.5 The Other Deferred Credits account amounting to P1.261 million represents the premium that was remitted and deposited in CY 2020. Analysis of this account disclosed that it is the accounting practice of the agency to credit the Other Deferred Credits account in recording the amount credited in the bank statement representing premium collections. Illustrative accounting entries is presented in Table 16.

Table 16 – Illustrative Accounting Entries

Entry made for premiums deposited thru OSDA:		
Cash in Bank – Local Currency, Savings Account	*xxx*	
Other Deferred Credits		*xxx*
Entry made upon receipt of the Teller of underwriting documents and issuance of OR:		
Other Deferred Credits	*xxx*	
Other Deferred Credits – Rice/Corn/Livestock/ High Value/Fisheries/Non-crop/CLTI		*xxx*
Entry made upon receipt by the Insurance Processor of OR with the underwriting documents and encoding in the Premiums Register:		
Other Deferred Credits – Rice/Corn/Livestock/ High Value/Fisheries/Non-crop/CLTI	*xxx*	
Insurance/Reinsurance Premium		*xxx*

6.6 As can be gleaned from Table 16, premiums deposited but not yet reflected in the premium register remain accounted as Other Deferred Credits due to the delay in the submission of underwriting documents.

6.7 Moreover, review of the the Schedule of OSDA in RO No. VI disclosed that the list included remittances more than the 15-day period. Out of the balance of P7.351 million, P6.796 million pertained to collections which remained unrecorded for more than 15 days. Management in RO No. VI informed that communication with the UAs has been made and required them to submit the related documents. However, several documents submitted did not include significant number of CICs; while related documents remained unaccounted for. Management justified that this could be attributed to the loan related to the insurance coverage that had been cancelled. As such, Management could not immediately recognize the income without first determining with finality, the status of the OSDA remittance.

6.8 The late submission of underwriting documents resulted in the overstatement of Other Deferred Credits accounts and understatement of the Insurance Premium account by P8.057 million.

6.9. 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;

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

c. Finance and Administrative Division (FAD) of RO Nos. IV and VI to adjust the Insurance/Reinsurance Premium account, as warranted to recognize the income earned for the period.

6.10. During the Exit Conference, it was explained by the VP-SSG that the instances on the late submission of underwriting documents decreased as compared with the previous years since most of the farmers are now under the free insurance from various programs from the NG. On the other hand, they will still communicate with the ROs concerned to comply with the recommendations.

6.11. Management in RO No. IV commented that the main issues/concerns on the delayed submission of insurance documents were the limitation on the movements due to lockdown and more than 6,000 applications rushing loan to be released without any additional staff for the months of November and December 2019 and January 2020. Also, the common deficiencies encountered were no credit advice attachment, wrong insurance application attachments, LOB instead of CFI, CIC instead of LOB, no Location Sketch Plan and incomplete data.

6.12. Management in RO No. IV devised some corrective and preventive measures to resolve the issue, such as, suspension of the online remittance thru PCIC OSDA particularly for LBP Occidental Mindoro and go back to the previous arrangement where premium remittances be paid thru check. In addition, they already scheduled a pick-up day for all LBP Loan releases documents and instructed the Insurance Representatives/Underwriters to regularly visit the Lending Institutions, accredited underwriter and other conduits in their areas of responsibility.

6.13. Management in RO No. VI commented that the analysis of the subject account is ongoing. Confirmation of the unreconciled and unconfirmed OSDA remittance shall be done with Lending Institution/ Remitting UA. Unconfirmed OSDA remittances for CY 2019 shall be given priority for reversal and appropriate action.

7. The fairness of presentation of the Property and Equipment (PE) account with carrying amount of P117.520 million as at December 31, 2020 is doubtful due to: (a) unreconciled discrepancies of P4.884 million in the acquisition cost between that reported in the Statement of Financial Position (SFP) and in the Report on the Physical Count of PPE (RPCPPE) in HO and in RO Nos. I and III-A; and (b) unreconciled discrepancies of P3.532 million and P0.726 million in the acquisition cost and accumulated depreciation, respectively, between the SFP and the Lapsing Schedule (LS) in HO.

7.1 The PE account as at year-end has a net carrying amount of P117.520 million. Audit of the accounts disclosed the following observations:

Discrepancy in the PE acquisition cost of P4.884 million between that reported in the SFP and in the RPCPPE –

7.2 Item V(4) of COA Circular No. 80-124 dated January 18, 1980 provides that:

> *All inventory reports shall be prepared xxx and certified correct by the committee in charge thereof, xxx. The reports shall be properly reconciled with accounting and inventory records.*

7.3 An unreconciled discrepancy of P4.884 million exist in the acquisition cost of PE between the balances reported in the SFP and in the RPCPPE as at year-end. Details are summarized in Table 17.

Table 17 – Discrepancy between the cost of PE per SFP and per RPCPPE

Account Title	Per SFP	Per RPCPPE	Discrepancy (Absolute Figure)
HO			
Information and Communication Technology Equipment (ICTE)	P 6,891,461	P 6,673,582	P 217,879
Leased Assets Improvement	6,395,514	3,441,002	2,954,512
Office Equipment	3,587,670	3,292,451	295,219
Other Property, Plant and Equipment (OPPE)	521,819	-	521,819
Furniture and Fixtures	465,945	437,945	28,000
	17,862,409	**13,844,980**	**4,017,429**

Account Title	Per SFP	Per RPCPPE	Discrepancy (Absolute Figure)
RO No. I			
Motor Vehicles	5,557,705	5,526,955	30,750
Furniture and Fixtures	1,544,321	1,094,321	450,000
Leased Assets Improvement	720,901	904,650	183,749
	7,822,927	**7,525,926**	**664,499**
RO No. III-A			
ICTE	15,000	149,999	134,999
Office Equipment	7,500	75,000	67,500
	22,500	**224,999**	**202,499**
	P 25,707,836	**P 21,595,905**	**P 4,884,427**

7.4 During CY 2019 audit of the HO, balances of ICTE and Office Equipment reported in SFP and in RPCPPE were reconciled by reclassifying fully depreciated properties as well as unaccounted disposed properties to Other Assets account. All acquisitions booked under ICTE and Office Equipment in CY 2020 were properly accounted for in the RPCPPE. Further review disclosed the following:

a. The variances noted in CY 2020 for ICTE correspond to properties acquired in prior years;

b. The variances for Office Equipment correspond to properties acquired in prior years which were reported in RPCPPE under Unserviceable Properties. However, these properties were not yet reclassified to Other Assets since no report has been received by Accounting Division from the Property Management and General Services Division (PMGSD) as their basis on the reclassification;

c. The variance for Furniture and Fixtures was due to the questionnaire materials recorded both under Furniture and Fixtures and Books accounts;

d. The balance of the cost per SFP for Motor Vehicles were adjusted at year-end to come up with a reconciled balance with the RPCPPE. However, such adjustment was made without other supporting documents aside from the balances shown in the LS which was reconciled with the balance per RPCPPE;

e. Largest amount of variance was still noted for Leased Assets Improvements, Buildings representing 73.54 per cent of the total variance of P4.017 million. The variance in CY 2019 increased from P2.634 million to P2.955 million in CY 2020;

f. OPPE account was still unreported in the RPCPPE; and

g. Various properties costing P1.721 million were excluded from ICTE, Office Equipment and OPPE and were reported under Unserviceable Properties in RPCPPE. During the year, there was no disposal undertaken by the Management, thus, there was no derecognition of properties taken up in books. In CY 2019, there were unserviceable, fully depreciated and disposed properties costing P4.425 million reclassified to Other Assets account without proper documentation under JEV Nos. 2019-12-84 and 2019-12-237.

7.5 In HO, variances noted in CY 2020 have decreased by a total of P3.784 million or 48.50 per cent as compared in CY 2019. The Accounting Division and PMGSD have been exerting efforts in continuously reconciling their records for the past years.

7.6 In RO No. I, there were various PE items that were not recorded or were misclassified in the books, costing P183,749 as well as PE items not taken up in the inventory report totalling P480,750.

7.7 Moreover, in RO No. I, the Other Assets- non-current account of P79,220 was not properly supported with documents. It was gathered that the said amount was recorded in CY 2012 and carried forward in the books in subsequent years. However, the nature of the recognized amount remained unknown and documents were not available to support the transaction.

7.8 In RO No. III-A, verification of related documents showed that the variance totalling P202,499 was due to the improper recording/recognition of several PE items and that the amount taken up was the net carrying amount, rather than the cost at the time of acquisition.

7.9 In RO No. VIII, examination of the RPCPPE showed that there were five units of Samsung Galaxy tablets with S pen 2019 model received from HO on August 27, 2019 and with Property Acknowledgement Receipts (PARs) issued to the OIC, Chief of CAD without cost, thus the items remained unrecorded.

Discrepancies of P3.532 million and P0.726 million in the cost and accumulated depreciation, respectively, between the balances reported in the SFP and in the LS in HO -

7.10 Comparison of the cost and accumulated depreciation balances as reported in the SFP vis-à-vis LS as at year-end disclosed discrepancies of P3.532 million and P0.726 million, respectively, as shown in Table 18.

Table 18 – Discrepancy in the PE Balances per SFP vis-à-vis per LS in HO

Account Title	Cost			Accumulated Depreciation		
	SFP	**LS***	**Variance****	**SFP**	**LS****	**Variance****
Motor Vehicles	P 11,214,473	P 11,214,473	-	P 6,635,061	P 6,820,771	P 185,710
ICTE	6,891,461	6,891,461	-	4,903,929	4,955,071	51,142
Leased Assets Improvements	6,395,514	3,441,002	P 2,954,512	1,545,712	1,367,697	178,015
Office Equipment	3,587,670	3,587,670	-	2,155,406	2,178,060	22,654
OPPE	521,819	-	521,819	279,989	-	279,989
Furniture and Fixtures	465,945	437,945	28,000	349,030	340,981	8,049
Books	28,000	-	28,000	-	-	-
	P 29,104,882	**P 25,572,551**	**P 3,532,331**	**P 15,869,127**	**P 15,662,580**	**P 725,559**

**LS submitted by the Accounting Division was recomputed as to its totals*
***Absolute figure*

7.11 Review of the LS submitted by Accounting Division and other pertinent documents revealed the following:

a. A large amount of discrepancy of the cost between the LS and in the books still exist for Leased Assets Improvements. It can also be noted that the balance of Leased Assets Improvements reported in RPCPPE reconciled with the balance reported in the LS, thus, the discrepancy of P2.955 million was not accounted for by both PMGSD and Accounting Division;

b. Materials for replacement of the ceiling and repair of PCIC office costing P125,200 which was booked under Leased Assets Improvements in CY 2018 was not included both in RPCPPE and in the LS;

c. In CY 2020, JEV No. 2020-12-232 was drawn to capitalize the cost of the labor and supervision for replacement of ceiling and repair of PCIC office which was erroneously booked in CY 2018 under Repairs and Maintenance with DV No. 2018-11-1159. Further review revealed such error was already corrected in CY 2018 under JEV No. 2018-12-163, thus, there was a double booking of properties under Leased Assets Improvements costing P128,000; and

d. Review of the JEV No. 2020-12-255 revealed that there were adjustments made for the cost and accumulated depreciation for Motor Vehicles and for accumulated depreciation of Furniture and Fixtures. Details of the entries made are shown in Table 19.

Table 19 – Adjustment of Cost and Accumulated Depreciation of Motor Vehicles and Accumulated Depreciation of Furniture and Fixtures

Particulars	Account Code	Debit	Credit
Motor Vehicles	10606010	P 1,025,802	
Accumulated Depreciation – Furniture and Fixtures	10607011	266,110	
Accumulated Depreciation – Motor Vehicles	01606011		P 794,536
Prior Year Adjustment	30701010-01		497,376
To reconcile the balances of Accumulated Depreciation in the LS with the balances in the GL			

e. As indicated in the JEV, these adjustments were made to reconcile the balances between books and the LS. However, there were no details and breakdown of properties to account the amount adjusted. It can be shown that these adjustments were merely balancing figure to reconcile and/or lessen the variance between the books and the LS; and

f. There was still no depreciation provided for Books costing P28,000, which was already pointed out during the CY 2019 audit under Audit Observation Memorandum (AOM) No. 2020-05. On the other hand, the CY 2019 discrepancies in the cost and accumulated depreciation of OPPE account still remained at P0.522 million and P279,989 in CY 2020 as the account was still not included in the LS.

7.12 Over the years, discrepancies in PE account balances presented in Tables 18 and 19 became a recurring issue and Management admitted that these were mainly attributed to old properties that could no longer be located, absence of proper documentation of specific properties disposed and non-maintenance of PPE Ledger Card (PPELC) for the old properties, in particular those without proper turnover from the AOs. Also, the maintenance of PPELCs and Property Cards (PCs) had been partially complied with in HO as these are still incomplete since various properties acquired in CY 2020 were not provided with PPELC. Moreover, PPELCs and PCs were maintained through electronic database/excel file, which data integrity has not been established.

7.13 It is worthy to mention that COA Circular No. 2020-006 dated January 31, 2020 prescribes the guidelines and procedures on inventory taking, recognition of those found at station and disposition for non-existing/missing PE items for the one-time cleansing of PE accounts of government agencies to establish PE balances that are verifiable as to existence, condition and accountability.

7.14 This Circular has been communicated to the Management. However, the PMGSD informed that due to workload, lack of manpower in Accounting Division and PMGSD and current alternative arrangements because of the pandemic, the one-time cleansing of the PE accounts could not yet be completed as reconciliation is still being done.

7.15 In view of these deficiencies, validity, existence, accuracy and completeness of the PE accounts with a carrying amount of P117.520 million as at December 31, 2020 could not be ascertained.

7.16. We reiterated our recommendations that Management require the Accounting Division and PMGSD in HO and AFD in RO Nos. I and III-A to:

a. Reconcile continuously the PE balances among SFP, RPCPPE, LS, PPELCs and PCs; and

b. Prepare a complete set of PPELCs and PCs and integrate the maintenance of such in the PFMS and ensure access controls and data integrity are in place.

7.17. We also recommended that Management:

a. Require the Accounting Division in HO to make necessary adjusting entries to correct the following:

a.1 Questionnaire materials which were booked both under Furniture and Fixtures and Books account;

a.2 Non-provision of depreciation for the Books acquired in CY 2019; and

a.3 Double booking of Leased Assets Improvements made under JEV Nos. 2018-12-263 and 2020-12-232.

b. Consider availment of one-time cleansing of PE accounts of non-existing/missing PE items prescribed in COA Circular No. 2020-006 to

establish the verifiable PE balances in the books of account. Properties reclassified to Other Assets account in CY 2019 as well as the adjustments made under JEV No. 2020-12-255 could also be considered in the cleansing.

7.18. According to HO Management, the Accounting and PMGSD will regularly reconcile both records on PPE. The IT will be tasked to integrate the maintenance of PPELC and PCs in the PFMS. Likewise, depreciation expense for books will be provided.

7.19. Management in RO No. I informed that the discrepancies noted between the balances of SFP and inventory reports have been properly communicated to the concerned officer and the necessary corrections on the RPCPPE and will adhere to the prescribed accounting and auditing rules and regulations to ensure that all adjustments and corrections are recognized for timely detection of discrepancies.

7.20. Management in RO No. VIII asserted that there was no transfer cost/assigned value on the five units of Samsung tablets from the HO as basis of its recognition in the books.

B. OTHER OBSERVATIONS

8. The production targets in terms of number of farmers and fisherfolks for the implementation of RSBSA Program for Fiscal Year (FY) 2020 for three out of six insurance lines were not achieved despite overproduction of P56.346 million, thus, depriving the eligible recipient farmers of the opportunity to be insured for free insurance, hence, defeating the objective of the RSBSA Program of providing insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of corn and HVC, and NCI.

8.1 Pursuant to the Special Provisions on PCIC, FY 2020 GAA, RA No. 11465, Expenditure Program FY 2020 Volume III, provides:

> *Subsidy to the Philippine Crop Insurance Corporation. The amount of Three Billion Five Hundred Million Pesos (P3,500,000,000) 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 crop, livestock, fisheries and non-crop agricultural assets. 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 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 DA.*

8.2 For its accomplishment for FY 2020, the Actuarial Research and Product Valuation Department (ARPVD) provided the Audit Team with the RSBSA Insurance Production Target for FY 2020 while the PMIO provided the Highlights of Regional Operations under the RSBSA Program, as shown in Table 20.

Table 20 - Comparison of RSBSA Insurance Production Target vis-à-vis Production Output

	Production Target		Actual Production		Over/(Under) Production			
Insurance Lines	No. of Farmers and Fisherfolk	GPS (In millions)	No. of Farmers and Fisherfolk	GPS (In millions)	No. of Farmers and Fisherfolk	Percentage	GPS (In millions)	Percentage
Rice	673,077	P 1,750	973,132	P 2,194.897	300,055	44.58	P 444.897	25.42
Corn	333,333	800	303,937	656.653	(29,396)	(8.82)	(143.347)	(17.92)
HVC	630,956	550	196,880	393.821	(434,076)	(66.80)	(156.179)	(28.40)
Livestock	111,111	300	243,273	251.162	132,162	118.95	(48.838)	(16.28)
Fisheries	26,667	80	32,433	52.395	5,766	21.62	(27.605)	(34.51)
NCI	25,000	20	3,489	7.418	(21,511)	(86.04)	(12.582)	(62.91)
Total	**1,800,144**	**P 3,500**	**1,753,144**	**P 3,556.346**	**(47,000)**	**(2.61)**	**P 56.346**	**1.61**

8.3 It can be gleaned from Table 20 that the Rice, Livestock and Fisheries Insurance Lines target number of farmers and fisherfolks was achieved. Moreover, although the number of farmers and fisherfolk for the Livestock and Fisheries Insurance Line was achieved, there was an under production as compared to its GPS, thus, rendering that more subsistence farmers and fisherfolks were given opportunity to free insurance under the RSBSA Program. However, it can also be gleaned from Table 20 that the target number of farmers and fisherfolks and GPS utilization for Corn, HVC and NCI Insurance Lines was not achieved.

8.4 It can also be noted that despite over production of P56.346 million or 1.61 per cent of the allocated subsidy of P3.500 billion, its actual production based on the number of farmers was short by 47,000 or 2.61 of its production targets of 1,800,144 farmers and fisherfolks.

8.5 It is worth mentioning that the accomplishment of PCIC on the RSBSA Program improved as compared to its accomplishments for FY 2019 where there is an increase of 122,313 in the insured farmers and fisherfolks despite the decrease of P258.282 million in the GPS utilized, as shown in Table 21.

Table 21 - Comparison of RSBSA Actual Production for FYs 2019 and 2020

	FY 2019		FY 2020		Increase/(Decrease)			
Insurance Lines	No. of Farmers and Fisherfolk	GPS (In millions)	No. of Farmers and Fisherfolks	GPS (In millions)	No. of Farmers and Fisherfolk	Percentage	GPS (In millions)	Percentage
Rice	721,655	P 1,863.409	973,132	P 2,194.897	251,477	34.85	P 331.488	17.79
Corn	275,671	754.609	303,937	656.653	28,266	10.25	(97.956)	(12.98)
HVCC	253,763	736.739	196,880	393.821	(56,883)	(22.42)	(342.918)	(46.55)
Livestock	335,108	370.840	243,273	251.162	(91,835)	(27.40)	(119.678)	(32.27)
Fisheries	40,141	75.447	32,433	52.395	(7,708)	(19.20)	(23.052)	(30.55)
NCI	4,493	13.584	3,489	7.418	(1,004)	(22.35)	(6.166)	(45.39)
Total	**1,630,831**	**P 3,814.628**	**1,753,144**	**P 3,556.346**	**122,313**	**7.50**	**P (258.282)**	**(6.77)**

8.6 The improved performance of PCIC can be attributed to mechanisms such as integrating the marketing activities in the barangay level and partnering with the farmer's cooperatives, local offices of the DA and other agencies which have ensured that the intended beneficiaries have been reached.

8.7 In RO No. VI, Management decided to limit the number of times a beneficiary is covered to at least two consecutive cropping season in an effort to make the program more inclusive. The OIC-Division Chief of MSD informed that the DA started to renew the registration of farmers listed in the RSBSA program. For CY 2020, there were new beneficiary farmers covered in the program. However, the determination of the number of times a farmer is covered, is based on the list of the farmer beneficiaries prepared by the Municipal Agricultural Officer (MAO). Management relied on this list to ensure that the program is evenly availed by the qualified farmers under their jurisdiction.

8.8 Review of the underwriting process in RO No. VI showed that the MSD maintained underwriting records of farmers in general. The information may be used by MSD in identifying the number of times a farmer was already covered and feedback this information to the MAO so that it may be considered in the identification of the beneficiaries in the next cropping period. Overall, with an effective monitoring and feedback system, Management may be able to further improve the number of qualified farmers covered under the RSBSA program.

8.9 On the other hand, it was noted that extensive information drive was undertaken by RO No. VI to increase awareness among farmers and Agriculture Office of the LGU (AO-LGU) personnel to avoid the coverage of unqualified beneficiaries. They also implemented a no-incentive policy to underwriters with identified porcientador claimants and conducted post planting validation. During the discussion with the OIC-Chief of MSD, it was revealed that post planting validation can actually be done in areas with identified porcientador claimants so that they may be able to further identify porcientador beneficiaries with insurance coverage in the RSBSA but did not make any claims within the insurable period.

8.10 In RO No. III, review of the Fishing Boat Insurance Policies issued under the RSBSA-NCI during the year revealed the following lacking documentations/non-compliance with requirements:

a. All the insured fishing boats were not registered with Bureau of Fisheries and Aquatic Resources (BFAR) as required under the implementing guidelines in the utilization of GPS under the 2020 GAA;

b. The engine serial number of the motorized boats were not indicated in the insurance policies, instead the word “defaced” was indicated therein; and

c. Not all Insurance Policies were supported by Permit to Operate.

8.11 These deficiencies noted in RO No. III showed laxity and weaknesses in the program implementation that is detrimental to the achievement of the purpose of the program.

8.12 However, the non-achievement of production targets of the other insurance lines deprived eligible recipient farmers of the opportunity for free insurance, hence, defeating the objective of the RSBSA Program of providing insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of corn and HVC, and NCI.

8.13. We commended Management for the vigorous efforts in surpassing the approved production target in terms of number of farmers and fisherfolks for the Rice, Livestock and Fisheries Insurance Lines and efficiently provided insurance protection to the intended beneficiaries, in compliance with the goals and objectives of the PCIC charter.

8.14. On the other hand, we recommended that Management:

a. Continue its campaign to reach out to more farmers and fisherfolks through the utilization of various media of communication, such as online platforms and radio advertisements and continually coordinate with its LGU counterparts for information dissemination, to further achieve its production targets; and

b. Require the MSD in the ROs and its underwriters to vigorously promote insurance lines with low production and implement production targets accordingly.

8.15. We also recommended that Management in RO No. VI:

a. Identify areas with porcientador claimants and prioritize the area in the conduct of post planting validation to further identify unqualified beneficiaries with insurance coverage under the RSBSA program but did not pursue insurance claim; and

b. MSD to institute a system of monitoring the number of times a farmer beneficiary is covered and provide the MAO with this information. The MAO would then be instructed to use the information to determine the farmers to be covered in the next cropping period, with emphasis that those who were not or with the least number of times covered be given priority.

8.16. The Management of ROs commented, as follows:

a. In RO No. I, the non-achievement of targets for HVC insurance line was brought about by the Corona Virus Disease 2019 (COVID-19) pandemic such as stringent travel requirements, border control and suspension of mass-gathering activities. While the non-achievement of target for the Corn insurance line was due to the exhaustion of GPS as cropping season for Corn usually starts around November where GPS has already been fully spent. Also, the production targets for the Fisheries Line often perceive small risk as natural calamities associated to such are less likely to occur, resulting in lesser insured recipients;

b. In RO No. II, the failure to achieve the target for the other insurance lines was due to the prioritization of the enrollment of rice and corn crops due to the irrefutable fact that these are more vulnerable to covered risks;

c. In RO No. III, proper/complete documentation on Fishing Boat Insurance will be strictly required and discussed by insurance underwriters during fisherfolks' meeting;

d. In RO No. VI, several measures were already undertaken to ensure the improvement of the number of farmer beneficiaries actually covered. They have lessened the number of hectares covered to allow the coverage of more farmers. However, they expressed concern on the non-coverage of those who have been covered before since there is no written policy in limiting the number of times a farmer is supposed to be covered; and

e. In RO No. VII, they were not able to pursue their targets accordingly due to the food security program of the DA particularly rice and corn crops, which they supported and in turn significantly affected the insurance production accomplishment for rice in CY 2020. However, they assured that they will adhere to the policies, do their very best to accomplish production targets, and will take a more aggressive marketing to entice more farmers and fisherfolks to participate in the crop insurance program.

9. Insurance coverage of more than the allowed limits in the implementing guidelines with GPS of P20.476 million and inaccuracy in the computation of GPS in the amount of P9.479 million, or a total of P29.955 million is contrary to the provisions of the implementing guidelines and deprives other subsistence farmers and fisherfolks of the opportunity to be insured from agricultural losses through coverage with the RSBSA Program.

9.1. The CPR is a registry generated from the PABS for all insurance premiums/lines for insurance programs, such as RSBSA, discussed in Paragraph 3.1.

9.2. Review of the CPR as of December 31, 2020 submitted by the PCIC HO on May 27, 2021 disclosed the following:

Insurance production coverage more than the allowed maximum area and number of heads –

9.3. Item 6. E. of the Implementing Guidelines on the Utilization of GPS for the PCIC under FY 2020 GAA, RA No. 11465, provides for the limitations on the insurance covers/policies for the RSBSA Program:

- *Crops*
    - *Rice, corn, high-value crop (HVC): maximum area limit of farmland per household is five (5) hectares under LBP and DBP agri-credit/financing assistance programs and* ***three (3) hectares for the agri-credit/financing assistance programs of other lending institutions****.*
- *Livestock*
    - *Cattle, carabao, horse, swine, goat and sheep: the insurance coverage must be under the non-commercial mortality insurance cover category*
    - *Poultry: Broiler – maximum of 5,000 heads/birds per rearing period;* ***Pullets/layers – maximum of 1,000 heads/birds***
- *Fisheries*
  Aquaculture Projects:

- ***Inland fishpond – maximum 2,500 square meters;***
- *Mariculture parks/off-shore (fishcage/fishpen) – maximum of 1,000 square meters;*
- ***Seaweed farm – maximum of 1,000 square meters**.*

➢ *Non-Crop Agricultural Asset*

- ***Fisheries – Maximum of three (3) units of fishing boats**/equipment for fishing activities within the municipal waters. The maximum gross tonnage for fishing boats is 3 tons;*
    - *For Fishing Boat: Boat issued by BFAR to fisherfolk shall be the basis for eligibility for the insurance coverage of the fishing boat.*
    - *For fishcage/fishpen/fishpond: facilities within the allowed area mentioned above*
- *Livestock – Poultry house/piggery house/stable used for housing of the allowed number of livestock and poultry heads mentioned above*
- *Farming – Maximum of three (3) agricultural equipment/machines used in farming operations (underscoring supplied)*

9.4. Review of the CPR revealed that there were various insurance production where the insurance coverage were above the limitations set per above mentioned guideline. Result of the review is summarized in Table 22.

Table 22 – Insurance Cover Above the Limitations

Insurance Line	No. of Cases	Range of Insurance Cover Exceeding the Limitations	Amount of GPS
Rice	1076	3.0284 to 6 hectares	P 11,118,579
Corn	191	3.140 to 5 hectares	2,094,500
HVC	963	3.0260 to 6 hectares	5,144,390
Livestock	1	1,350 heads	3,194
Fisheries			
Seaweeds	124	1,100 to 60,000 square meters	190,860
Bangus and Tilapia	11	2,660 to 25,000 square meters	109,845
Non-Crop Insurance	4	4 fishing boats	11,200
			P 20,475,947

9.5. The insurance coverage beyond the set parameters is not only contrary to the provisions of the implementing guidelines but had also deprived other subsistence farmers and fisherfolks of the opportunity to be insured from agricultural losses through coverage with the RSBSA Program.

Insurance production with difference in the amount of GPS -

9.6. Item III.4 of the Implementing Guidelines on the Utilization of GPS for the PCIC under FY 2020 GAA, RA No. 11465, provides the Premium Rates:

➢ *Rice and Corn Crops – standard premium rate of 10.00 % (PCIC Board Resolution No. 2016-066, Series of 2016)*

➢ *High-Value Crops – premium rate of 3.0% for coconut crop and 5.0% for other crops, which includes coverage for all types of pests and* *diseases (as agreed by the Management and the Conference Participants during January 27-29, 2020 National Management and Planning Conference)*

- *Livestock – current special premium rates*

  Swine

1. Fattener	-	*1.75% per growing period*
2. Breeder	-	*3.50% per annum*

  Cattle, Carabao, Horse

1. Island Born	-	*5.00% per annum*
2. Imported	-	*7.00% per annum*

  Goat, Sheep

1. Island Born	-	*6.00% per annum*
2. Imported	-	*8.00% per annum*

  Poultry (Chicken, Duck)

1. Broilers	-	*1.00% per rearing period*
2. Pullets, Layers	-	*2.60% per annum*

- *Non-Crop Agricultural Assets- exisiting premium rates*
- *Fisheries/Aquaculture – premium rate is ≤7.00% depending on the pre-coverage inspection*

9.7. Review of the GPS from the CPR revealed that there were various insurance production where the recomputed GPS were different from the allowed GPS. Result of the recomputation is summarized in Table 23.

Table 23 – Insurance Cover with Difference in GPS

Insurance Line	No. of Cases	Range of Difference in GPS	Total GPS with Difference	Total GPS with Difference (Absolute)
Rice	88	-9,000.00 to 3,000.00	P (9,448)	P 22,248
Corn	11	-2.70 to 0.01	(8)	8
HVC	7,480	-0.01 to 6,768.00	7,795,194	7,795,194
Livestock	2,991	-420.00 to 7,350.00	1,498,750	1,634,597
Fisheries	70	-0.06 to 0.01	-	-
NCI	197	-1,600.00 to 400.00	11,302	26,626
			P 9,295,790	**P 9,478,673**

9.8. Due to the foregoing, a total of P9.479 million GPS were not duly utilized in the implementation of the RSBSA Program, which could have been allotted for the free insurance coverage of other farmers and fisherfolk.

9.9. Insurance coverage of more than the allowed limits in the implementing guidelines amounting to P20.476 million of the GPS and inaccuracy in the computation of GPS in the amount of P9.479 million could have been minimized, if not eliminated, if embedded controls within the system were present such as presence of command prompt or non-acceptance by the system of entries if certain limits were breached during the encoding process of the Application for Crop Insurance (ACI) Form by the Insurance Processor.

9.10. We reiterated our prior years' recommendations that Management:

a. Direct the concerned programmers assigned at PMIO to immediately address the issue on absence of embedded controls in PABS to protect the interest of PCIC and to come up with reliable and complete reports;

b. Instruct all officers and employees concerned with the underwriting process to exercise due diligence in handling and encoding of data, as well as, review of the encoded data to come up with a reliable report;

c. Require the officials concerned on the approval of insurance cover exceeding the limitations to pay the corresponding premium of insurance cover; and

d. Require the officials concerned to:

d.1 Limit insurance coverage within the amount set in the Implementing Guidelines on the Utilization of GPS for the PCIC under FY 2020 GAA, RA 11465; and

d.2 Pay the corresponding premium paid on the approved insurance cover exceeding the required limit.

10. Due to the implementation of several free insurance programs to farmer-beneficiaries and the inability of the PABS to detect the issuance of more than one insurance coverage to farmer beneficiaries, 386 RSBSA farmer beneficiaries in RO Nos. III and IV have also availed the non-RSBSA free insurance programs, and vice versa, with total government share of P9.392 million. Also, there was a double insurance paid to two farmers in RO No. III totalling P41,500.

10.1. Special Provisions to PCIC under the CY 2020 GAA was discussed under Paragraph 9.2 hereof.

10.2. During the year, the agency implemented/granted the following free insurance coverage to farmer-beneficiaries:

a. RSBSA;
b. Agricultural Competitiveness Enhancement Fund (ACEF);
c. Rice Competitiveness Enhancement Fund (RCEF);
d. GAA - Agri Agra
   i. Non-RSBSA – DA;
   ii. Non-RSBSA – Agrarian Reform Beneficiary (ARB);
e. Sikat Saka;
f. Agrarian Production Credit Program (APCP); and
g. DA Program for Unified Lending to Agriculture /Production Loan Easy Access Program (DA PUNLA/PLEA).

10.3. The PABS is a computerized system used in the ROs where the details of all insurance transactions are encoded/recorded and reports/registers are generated in a given period.

10.4. In RO Nos. III and IV, there were a total of 93 and 293 farmers, respectively, registered under the RSBSA program who also availed of the free insurance coverage under the non-RSBSA programs. The total government share involving the double insurance of these farmers amounted to P9.392 million as shown in Table 24.

Table 24 – Government Share on Insurance Premium to Farmers with Double Insurance

Program	RO No. III	RO No. IV	Total
APCP	P 40,240	P -	P 40,240
RSBSA	261,320	4,010,420	4,271,740
RSBSA-ACEF		1,205,178	1,205,178
Agri Agra/Others	157,510	1,303,776	1,461,286
PLEA	22,000		22,000
Sikat Saka	79,500	1,900,000	1,979,500
ACEF	198,685		198,685
RCEF	15,000	198,450	213,450
	P 774,255	**P 8,617,824**	**P 9,392,079**

10.5. The Insurance Underwriter who processed the ACI and CIC in RO No. III failed to verify whether the farmer who availed under non-RSBSA was already included in the masterlist of RSBSA, and vice versa. Furthermore, it was also noted that two farmers were able to claim double insurance payment in relation to their double insurance cover totaling P41,500, as shown in Table 25.

Table 25 - Double Payment related to Double Insurance

	Farmer	CIC No.	Date	Area	Amount Covered	Program	Claims Payment
1	Farmer 1	892151	7/16/2020	1	P 30,000	APCP	P 6,600
	Farmer 1	1162115	9/29/2020	2	40,000	RSBSA	5,940
2	Farmer 2	1006483	7/10/2020	1	20,000	RSBSA	8,920
	Farmer 2	1162293	9/21/2020	2	40,000	AGRI-AGRA	20,040
					P 130,000		**P 41,500**

10.6. Management in RO No. IV commented last year that they adopted measures to eliminate cases of double insurance and that the encoded data in PABS will be checked regularly to ensure accuracy, and immediately act on erroneous data entry. However, validation of the data from the PABS showed that the problem still exists.

10.7. Furthermore, they reasoned that due to restriction of movement during the Enhanced Community Quarantine effective March 17, 2020, the RO resorted to adopting submission of insurance applications/proposals thru email to lessen physical contact. However, it was observed that farmers submit their applications thru email in the RO and submitted the hardcopy in the PEO resulting in double encoding of the ACI.

10.8. Thus, the presence of double insurance was attributed, among others, to the absence of validation controls embedded in the PABS to detect the names of farmers who already availed of free insurance coverage in other insurance programs during the manual encoding of the ACI and lack of review at the level of Insurance Underwriter, as processor of CIC and at the level of the Chief, MSD as reviewer of the CIC.

10.9. The granting of more than one insurance coverage to farmers also means incurring more than one government share or subsidy granted to farmers resulting in the overlapping of extended benefits; thus, opportunity for other intended beneficiaries to benefit from the insurance subsidy was not fully achieved.

10.10. We recommended that Management in RO Nos. III and IV to:

a. Comply 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 to safeguard the funds granted by the NG;

b. Instruct the Insurance Underwriter to verify if the farmers applying for subsidized insurance were not yet covered by another subsidized insurance for the same period before processing the CIC;

c. Require the accountable and approving officers who processed and approved the double payment to refund the amount of P15,860 (P5,940 + P9,920), thereby allowing only the proceeds of the insurance which is more beneficial to the farmer beneficiaries; and

d. Enhance the PABS to provide security features in the system to detect ACI with the same: a) name, b) subject matter/object, c) subject matter is separately insured two or more times, and d) interest of the assured and risk or peril insured, in order to prevent double insurance.

10.11. Management in RO No. III explained that the aforementioned issue was caused by voluminous loads of work, but they will try to mitigate the said issue by strictly monitoring and reviewing the entries made by their insurance underwriters. For the double insurance payments, it was caused by the inability of PABS to reflect the actual date of harvest, since it presents the probable day of harvest that is automatically computed by the system of which cannot be edited or modified in a later date. In reality, the farmer harvested in an earlier date, and will therefore plant new sets of crops of which should also be insured. Since the PABS does not have a feature to modify the auto-computed date of harvest to reflect the actual date, an overlap is existing only in the system. On the other hand, it further admitted that it was a lapse in management that caused the double payment to the second farmer. The Management ensured that this will never happen again in line with their much more stringent measures in reviewing their transactions.

10.12. Management in RO No. IV already implemented steps to prevent the recurrence of double insurance by updating and maintaining only one farmers' ID, (some encoded farmers have multiple IDs in PABS which was created during initial implementation). Also, MSD encoders started to update the farmers record by encoding the reference number (RSBSA and Ani at Kita) to ensure that all insurance application will be encoded on the updated farmers' record. In addition, they requested the HO-IT to delete multiple IDs on farmers' record and maintain only one farmer ID in PABS.

11. The settlement of indemnity claims totalling P513.116 million under the various insurance programs/insurance lines to 108,954 registered farmers and fisherfolks in RO Nos. I, II, IV and VIII were delayed by one to 797 days in violation of the prescribed period set in PCIC's Operational Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

11.1. The Operations Manual on Rice and Corn Insurance, HVC Insurance, Fisheries Insurance, Livestock Insurance, NCI and CLTI Packages provide the period for settlement of insurance claims. The policies are enumerated in Table 26.

Table 26 - Policies on Settlement of Insurance Claims

Insurance Line	Reference	Settlement Policy
Rice and corn	*Section 10.7, Part I-Statement of Policy and Administrative Provisions*	*A claim shall be settled expeditiously, but not later than sixty (60) calendar days from submission by the insured of complete claims documents to the Corporation.*
HVCC	*Section 20.1, Part 2- Rules and Regulations*	*-do-*
Fisheries	*Section 21.1, Part 2-Implementing Rules and Regulations*	*-do-*
Livestock	*Section 24.1, Part 2-Rules and Regulations on Livestock Insurance*	*A claim shall be settled in the following manner:* *24.1 A claim shall be approved/disapproved within forty-five (45) calendar days from the submission of complete set of claims documents by the assured to the concerned PCIC RO.*
Non-crop agricultural asset insurance	*Section 13.03, Part I-Statement of Policy and Administrative Provisions*	*An approved claim shall be settled not later than forty (40) days from date of approval of the claim or as specified under Section 11.4 of the RA No. 8175.*
Term insurance packages	*Section 11.1, Part 2-Master Policy Contract*	*A claim shall be settled not later than 30 calendar days from the submission by the beneficiary or his/her representative of complete documents to the PCIC RO or its underwriting agency. Any deficiencies noted on the documents shall suspend the processing of claim until such deficiencies are submitted/complied with.*

11.2. In addition, Section 10.7, Part I - Statement of Policy and Administrative Provisions of the Rice and Corn Crop Insurance Operations Manual (RCCIOM) provides that:

> *Any claim not acted upon sixty (60) calendar days from submission by the affected farmer of complete claims documents to the concerned PCIC Regional Office shall be considered approved, provided that such documents are not questionable. Deficiencies attributable to the claimant or any party other than PCIC may lead to deferment of action or suspension of processing until such deficiencies are completed/complied with. The*

time period which PCIC's action is under suspension shall be excluded in counting the 60-day period.

11.3. The last two sentences of the above provision were also included under Section 20.1, Part 2- Rules and Regulations on HVC Insurance Operations Manual.

11.4. Settlement of 108,954 insurance claims of farmers under various insurance programs totalling P513.116 million were delayed ranging from one to 797 days as shown in Table 27.

Table 27 – Delay in Settlement of Various Insurance Programs/Lines

Insurance Line	No. of Farmers	No. of Days Delayed	Amount Settled
Rice	46,983	1-597	P 248,942,004
Corn	24,869	1-797	149,577,290
HVC	36,314	1-346	105,644,919
Livestock	700	1-374	6,636,065
CLTI	64	3-309	2,034,000
NCI	11	14-284	232,630
Fisheries	13	1-359	48,627
Total	**108,954**		**P 513,115,535**

11.5. Initial processing of claims for indemnity is being prepared by the CAD in coordination with the MSD and finally in the AFD for payment.

11.6. According to the CAD OIC-Chief of RO No. IV, delays were due to several factors, like differences or no signatures of farmers; no attachments, delays in the retrieval, encoding and validation of insurance documents/records due to lack of manpower from the MSD; and processing was delayed due to the pandemic.

11.7. While the CAD in RO No. VIII informed that claims with delays are those claims requested for reconsideration which the agency granted notwithstanding that the claims were already beyond the prescribed period. The granting of consideration and reconsideration of these claims are deemed unwarranted. CAD further explained that based on the statements of the claimants, one of the reasons for the delay of the filing for reconsideration was that the claimants did not receive the notices sent by the RO No. VIII. However, Management of RO No. VIII assumed that the claimants should have the initiative to inquire/follow-up the status of their claim the earliest possible.

11.8. The delay in the settlement of indemnity claims for the subsistence farmers and fisherfolks in these four regions, defeated the purpose of providing speedy assistance and hindered the immediate restoration of their farms and properties, and to pay their financial obligations to lending institutions on time to avoid incurring additional interest.

11.9. We reiterated our recommendations that Management:

a. Require the MSD and CAD to prioritize the prompt processing of the claims of farmers and fisherfolks and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for

them to timely restore their farmlands within the required time in compliance with PCIC's Operations Manual;

b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable beneficiaries to immediately recover and restore their farmlands;

c. Require the RM in RO No. VIII to adopt a strategy to facilitate the processing of claims within the prescribed period and be able to respond to farmers in the aid of rebuilding their farmlands to support their livelihood; and

d. Design a system relative to issuance of notices to the claimants that would ensure receipt thereof.

11.10. Management in RO No. II commented that Due to COVID-19 pandemic, some of the farmers filed their NLs thru phone calls or text messages. Despite the restrictions implemented during quarantine period, PCIC still reviewed these NLs according to the procedures in their manual.

a. To address the insufficiency of manpower, the management hired 20 additional job orders (JOs) to help in processing of these claims and when needed in order to hasten the encoding of claims. However, delay is still inevitable for rice and corn claims due to voluminous transactions.

b. As compared in CY 2019, management had significantly reduced the number of claims delayed in CY 2020 considering the limitations by the pandemic.

11.11. Management in RO No. IV have developed several strategies to facilitate faster claims payment, such as:

a. Recruit more reserve adjusters in island provinces;

b. Rotation of office staff in handling various insurance line/processes;

c. Increase number of reviewers from the current three personnel to six;

d. Training of PEO personnel to conduct claims adjustment;

e. Encoding of NL and assignment of personnel to conduct tablet adjustment have now shifted to some PEOs.

11.12. Also Management in RO No. IV made modifications in their strategies to adapt to the new normal, these are the following:

a. Proper appropriation and augmentation of labor force in the PEO by hiring additional reserve adjusters in different PEOs;

b. To avoid delays due to limited manpower caused by pandemic, personnel from all departments are encouraged to take overtime to assist on encoding and processing works;

c. There is also a plan to use an automated computation of indemnity for High Value, Fisheries and NCI to fast track the processing and reduce errors that cause delays or suspension of the claim;

d. Eighty per cent (80%) of adjustments in rice and corn are being done through smart tablet application to eliminate time consumed for transporting and encoding of CAVRs; and

e. Plans to purchase additional smart tablet for faster adjustment and additional motorcycles due to limited transportation

11.13. In RO No. VIII, Management attributed the delay in indemnity claims to bulk claims arising from typhoons Tisoy and Ursula in year 2019. Validation started only in January 2020 and processing were delayed due to pandemic. They trained new Reserved Corps Adjusters (RCAs) and reinforced PEOs with additional RCAs and adopted shifting hours to expedite adjustments and processing of claims. They formed two groups, one in the morning shift and the other in night shift composing of five employees, the encoders, reviewer and a processor. They also informed claimants through text blasts or sending notifications through text messages for disapproved farmers. Reconsideration for disapproved application will be re-evaluated. Personnel was assigned to take the task for all product lines. Audit recommendation was well taken and assured compliance therewith.

12. Physical assets in HO and in RO Nos. I, II, III, III-A and VII with carrying amount of P18.630 million were not insured with the General Insurance Fund (GIF) of the GSIS prescribed under Section 5 of RA No. 656, as amended by PD No. 245, thus exposing PCIC to risk of non-indemnification for damaged or lost uninsured property in case of calamities or fortuitous event.

12.1. Section 5 of RA No. 656, otherwise known as the “Property Insurance Law” dated June 16, 1951, as amended by PD No. 245 dated July 13, 1973, states that:

> *Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies: Provided, however, That the system reserves the right to disapprove the whole or a portion of the amount of insurance applied for. Provided, further, That such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. Xxxx*

12.2. Verification of records and inquiries with the Property Officer, disclosed that PEs with carrying value of P18.630 million were not insured with GIF of the GSIS as at year-end. Details are shown in Table 28.

Table 28 – Properties not Insured with the GIF of GSIS

HO/RO Nos.	Land Improvement	Leased Assets Improvement, Building	Motor Vehicles	Office Equipment	ICTE	Furniture, Fixtures and Books	OPPE	CIP	Total
HO	-	P 4,849,802	-	P 1,432,264	P 1,987,532	P 144,915	P 241,830	P 1,689,254	P 10,345,597
I	-	114,080	-	20,802	-	-	-	-	134,882
II	P 1,738,178	227,852	-	-	-	-	-		1,966,030
III	-	151,339	-	281,623	546,176	14,760	-	-	993,898
III-A	-	-	P 1,547,716	-	58,500	-	-	-	1,606,216
VII	-	-	-	717,368	2,307,176	558,627	-	-	3,583,171
	P 1,738,178	**P 5,343,073**	**P 1,547,716**	**P 2,452,057**	**P 4,899,384**	**P 718,302**	**P 241,830**	**P 1,689,254**	**P 18,629,794**

12.3. In the HO, verification of records and inquiry with the PMGSD disclosed that of all PPEs carried at P14.925 million as at year-end, only the motor vehicles with carrying amount of P4.579 million were insured with GIF of the GSIS for CY 2020, whereas all other properties with carrying amount of P10.346 million were not insured as at year-end. It was revealed that a list of property for insurance covering ICTE, Office Equipment, Furniture and Fixtures were submitted to GSIS on March 9, 2020 for assessment and computation of property insurance premium. However, PCIC was not able to insure its properties other than the motor vehicles for CY 2020 because the GSIS, despite constant follow ups, was not able to provide the premium computation since the list submitted was being reviewed and evaluated due to discrepancies. Also, because of the various circumstances brought about by the pandemic such as several lockdowns in the GSIS office, it was not completed. The PMGSD provided the Audit Team with copies of the communications made with the GSIS including follow ups letters dated May 15, 2020 and August 12, 2020. Currently, the PMGSD is finalizing the list of properties for insurance with GSIS for covering CY 2021.

12.4. Likewise in RO Nos. III and VII, the only properties insured were the Motor Vehicles since it is required by the Land Transportation Office upon application of the renewal of motor vehicle registration. The rest of the properties of the said ROs remained uninsured. On the other hand, it was also confirmed with the Regional Auditors that all motor vehicles in RO Nos. IV, V, VI, VIII, IX, X, XI and XII were all insured under the GIF as at year-end.

12.5. It is very important for government entities to insure their properties with the GSIS considering the calamities caused by strong forces of nature that occurred all over the country. Thus, PCIC cannot be indemnified in case of loss or damage caused by fire, earthquake, storm or other calamities if insurable assets are not covered under the GIF of GSIS.

12.6. We recommended that Management instruct the PMGSD in HO and AFD in ROs to facilitate the preparation of Property Inventory Form as basis for the assessment of general insurance coverage to insure PCIC's properties and equipment with the GIF of the GSIS and ensure that constant communications will be made to expedite the insurance for CY 2021.

12.7. Officials in RO No. VII commented that they are currently working on the preparation of the required report of inventory of property using the provided GSIS form as an initial requirement of the GSIS in the insurance of government property. It was further stated that the Office of the Auditor shall be informed accordingly as to the status of their compliance to the audit recommendation.

13. Delay in the issuance of Official Receipts (ORs) ranging from one to 297 days from the date of deposit in the amount of P0.948 million and failure to deposit collections on the next banking day amounting to P0.664 million in RO No. VIII were contrary to Sections 68 and 69 of PD No. 1445, thus, affecting the accuracy and reliability of cash, income and other related accounts.

13.1. Section 68 of PD No. 1445 provides that "*No payment of any nature shall be received by a collecting officer without immediately issuing an official receipt in acknowledgement thereof*. Xxxx".

13.2. The Insurance Underwriters (IUs) in various PEOs of RO No. VIII collects insurance premium payments for different insurance products offered by PCIC. Collections are directly deposited by the IUs to Authorized Government Depository Bank (AGDB). Each IU prepares the Report of Cash Disbursement (RCD) and submit it to the Teller I together with the necessary supporting documents such as validated deposit slips. Upon receipt of cash or validated deposit slips, the Teller I then issues an OR and turn-over the ORs to IUs concerned for the issuance thereof to the payors concerned.

13.3. The Teller I also prepares the Daily Cash Position Report (DCPR) for all her collections including those turned over by IUs from various PEOs. Then, the DCPR becomes the basis of the Accounting Unit in recognizing income.

13.4. Review of the collections and deposits of the newly appointed Teller I in RO No. VIII for the period March 16 to November 6, 2020 showed that there were delayed issuance of 177 pieces ORs for collections amounting to P0.948 million from date of deposit ranging from one to 297 days.

13.5. Moreover, there were delays in the deposit of collections ranging from two to 143 days from date of collection and issuance of OR due to the absence of timely turn-over of collections and lack of coordination between the Teller I of the RO No. VIII and IUs of various PEOs. This is in violation of Section 69 (4) of PD No. 1445 which provides:

> *The respective treasuries of those agencies shall in turn deposit with the proper government depository the full amount of the collections not later than the following banking day.*

13.6. In additon, there are 21 pieces of ORs that were undated.

13.7. The above discrepancies were due to the late turn-over of cash collections or late submission of validated deposit slips and other pertinent documents of IUs from various PEOs to the Teller I. According to the OIC-AFD, the causes of delayed turn-over of cash collection or validated deposit slips to the Teller I were the lengthy process of preparation of underwriting documents and the long geographical distance between PCIC RO No. VIII and PEOs.

13.8. We recommended that RO No. VIII Management devise a well-planned internal control on the timely and accurate turn-over of collections of IUs to the Teller I and consider/strengthen the use of advance technology in order to attain timely recognition of income.

13.9. We also recommended that the Teller I be required to deposit all collections on the next banking day pursuant to Section 69 (4) of PD No. 1445.

13.10. Management in RO No. VIII explained that the delayed issuances of ORs were attributed to late submission of insurance applications from LBP lending center. Approved production loans are released to the borrower with an automatic premium deduction deposited to PCIC OSDA account without supporting documents submitted as well as a follow-through information from LBP regarding the remittances.

13.11. On delayed deposit of collections on the next banking days, they cited Sec. 14 of the Operations Manual for Rice and Corn Insurance states that "For group cover where only one (1) Certificate of Insurance Cover (CIC) is issued, the Underwriting agent shall remit the premium to the concerned PCIC RO within 15 CDs from the date of issuance of CIC. For individual insured farmers where individual CICs are correspondingly issued, premium remittance shall be reckoned from the first or earliest date of CIC issuance provided that, in the case of borrowing farmers, CIC issuance shall coincide with the date of loan release.

13.12. Where feasible, online premium remittance shall be allowed provided such remittance is deposited to the OSDA of the PCIC RO and provided further that such remittance is made in accordance with the prescribed period in these Rules.

GENDER AND DEVELOPMENT (GAD)

14. GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) for CY 2020 were not revised to align with the DBM-approved Fiscal Year (FY) 2020 Corporate Operating Budget (COB), thus, contrary to Joint Circular (JC) No. 2012-01 of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA), and DBM and the pertinent PCW Memorandum Circulars. Moreover, the GAD database was not updated and not used for GAD planning while the budget of major programs/projects was not attributed to the GAD budget using the Harmonized Gender and Development Guidelines (HGDG) tool, which resulted in non-identification of strengths and areas for improvement to gradually increase the gender responsiveness of the aforesaid programs/projects.

GPB was not revised and adjusted to the approved COB

14.1. Paragraph 6.1 of PCW-NEDA-DBM JC No. 2012-01 provides that:

> *At least five percent (5%) of the total agency budget appropriations authorized under the annual 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*

14.2. Further, Paragraph 8.8 of the same JC states that:

> *Once the GAA has been approved and where budget and program adjustments have to be made based on final agency budgets, agencies*

shall submit an adjusted GPB to PCW. The adjusted GPB shall be the basis for implementing the GPBs as well as for monitoring and reporting.

14.3. The FY 2020 GPB of the Corporation endorsed by the PCW on June 1, 2020 show that a total amount of P58.392 million, representing 6.15 per cent of the total approved COB for FY 2020 of the Corporation of P949.055 million had been allocated for activities supporting GAD plans and programs. Inquiry with GAD Focal Person disclosed that the COB of P58.392 million was based on the proposed COB for FY 2019 of P1.264 billion.

14.4. Notwithstanding that the amount allocated for the GPB was at least five per cent of the agency's approved COB, the GPB was not reviewed and revised accordingly upon receipt of the approved COB contrary to the provisions of PCW-NEDA-DBM JC No. 2012-01.

14.5. The non-submission of the revised annual GPB to the PCW and the AR to the Audit Team within the deadline delayed the completion of review thereof.

Utilization of GAD Funds

14.6. Paragraph 10.1 of the PCW-NEDA-DBM JC No. 2012-01 provides that:

Xxx. The agency GFPS shall prepare the annual GAD AR based on the PCW-endorsed GPB or the GPB adjusted to the approved GAA xxxx

14.7. The PCW endorsed, through the GMMS, the GPB of PCIC in the amount of P58.392 million. The PCIC submitted its Annual GAD AR to the PCW on March 18, 2021. Review of the submitted GAD AR revealed that 12 out of 19 of the GAD Activity were undertaken with actual utilization of budget thereof amounted to P19.827 million or 33.95 per cent of the unrevised and unadjusted budget.

14.8. In the HO and RO Nos. I, IV and VI, because of the COVID-19 pandemic that beset the whole country, the PCIC could not fully utilize their GAD budget and accomplish most the activities in the PCW-endorsed GPB.

Non-attribution of budget of major programs/projects to GAD budget using the HGDG tool –

14.9. Paragraph 1.2.3.2.1 of PCW Memorandum Circular No. 2019-02 dated August 1, 2019 provides that, aside from implementing direct GAD Program, Activities and Projects (PAPs) to address organization- or client-focused issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s or projects to the GAD budget using the HGDG tool. Assessing major program/project using the HGDG tool enables the agency to identify strengths and areas for improvement to gradually increase the gender responsiveness of the program/project. GAD budget attribution would help agencies (especially those that do not provide direct GAD services to the public) meet the minimum five per cent GAD budget requirement. Major programs/projects subjected to the HGDG test shall be reflected under the GPB on the "ATTRIBUTED PROGRAMS" section. Direct GAD activities or regular activities of the agency shall not be subjected to the HGDG test.

14.10. Review of the FY 2020 GPB disclosed that a portion or the whole budget of major programs/projects of PCIC, such as the Registry System for Basic Sectors in Agriculture (RSBSA) program which has a FY 2020 budget of P3.500 billion, was not attributed to the GAD budget using the HGDG tool.

14.11. Notwithstanding, the non-attribution of major program/project using the HGDG tool resulted in non-identification of strengths and areas for improvement to gradually increase the gender responsiveness of the program/project.

GAD database not updated and not used for GAD planning –

14.12. Section 37, Rule VI of Implementing Rules and Regulations (IRR) of Magna Carta of Women (MCW) or RA No. 9710 requires government agencies to pursue the adoption of gender mainstreaming as a strategy to promote and fulfill women's human rights and eliminate gender discrimination in their systems, structures, policies, programs, processes and procedures such as the development and maintenance of a GAD database, which contains GAD information to include gender statistics and age- and sex- disaggregated data that have been systematically produced/gathered, regularly updated to serve as inputs or bases for planning, programming, and policy formulation.

14.13. Said provision was also articulated under Paragraph 4.4 of the PCW-NEDA-DBM JC 2012-01 and PCW Memorandum Circular No. 2014-05 dated November 28, 2014.

14.14. It was observed that the FY 2020 GPB was formulated not based on the GAD database of the Corporation, which, however, contains insufficient sex-disaggregated data, as already pointed out in the prior year. Inquiry with the IT personnel in the HO disclosed that there was no instruction to update the GAD database and generate a GAD database report, which would have been utilized in planning the GAD PAPs.

14.15. Also, in RO No. IV, it was observed that the Management did not fully establish its GAD database as the generated sex-disaggregated data only included the basic information of farmers per line program and no gender analysis was established to ensure that the GAD activities included in the GPB are gender-responsive.

14.16. Consequently, there is no assurance that the GAD PAPs could address the gender issues of the Corporation and its beneficiaries/clients.

Revised/endorsed GPB and GAD AR GPB for FY 2020 was not furnished to the Audit Team a copy within five WDs from endorsement thereof

14.17. PCW-NEDA-DBM JC No. 2012-01 dated September 30, 2012 provides the guidelines for the preparation of annual GPBs and ARs to implement the MCW. Related thereto, Item V of COA Circular No. 2014-001 dated March 18, 2014 states that the Audited agency shall submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case maybe. Likewise, a copy of the corresponding AR shall be furnished the said Audit Team within five working days from the end of January of the succeeding year.

14.18. The AR of PCIC was submitted to the PCW on March 18, 2021, within the deadline set per Memorandum Circular No. 2021-01. However, contrary to Item V of COA Circular No. 2014-001, the AR for CY 2020 was only submitted to the Audit Team on April 12, 2021.

14.19. Inquiry with Management revealed that as of to date, there are still no comments on the AR of PCIC for FY 2020 from PCW, thus, remain unendorsed.

14.20. We recommended that Management require the GAD Focal Point System to strengthen its monitoring system by ensuring the following:

> **a. GPB is revised and submitted to PCW once the revised COB has been approved;**
>
> **b. Computation of the utilization rate in the GAD AR is based on the revised GAD budget and duly-approved COB;**
>
> **c. GAD database is regularly updated and data is utilized as inputs or bases for planning, programming, and policy formulation;**
>
> **d. A portion or the whole budget of major programs/projects of PCIC is attributed to the GAD budget using the HGDG tool;**
>
> **e. All other provisions of the PCW-NEDA-DBM JC, PCW Memorandum Circulars, and other pertinent issuances are duly complied with.**

14.21. In the written reply from the HO Management, it mentioned that the GPB for CY 2020 was revised on December 20, 2020 to reflect the approved final COB. However, the revised PCIC GPB was not submitted to PCW anymore since it was already endorsed, and PCW's Gender Mainstreaming Monitoring System (GMMS) was closed.

COMPLIANCE WITH TAX LAWS

15. 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 was observed in the HO due to the absence of proper monitoring of amount 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 the imposition of charges, interests and penalties by the BIR. Recording of penalties imposed by the BIR was under the Due to BIR account, thus, exposing PCIC to possible imposition of charges, interests and penalties by the BIR.

15.1. Section 251 of the National Internal Revenue Code (NIRC) mandates that:

> *Any person required to withhold, account for, and remit any tax imposed by this Code or who willfully fails to withhold such tax, or account for and remit such tax, or aids or abets in any manner to evade any such tax or the payment thereof, shall, in addition to other penalties provided for under this*

Chapter, be liable upon conviction to a penalty equal to the total amount of the tax not withheld, or not accounted for and remitted.

15.2. Audit of the Due to BIR account and analysis of the amount withheld and remittances made to BIR for CY 2020 disclosed that the amount withheld in a particular month was not the amount remitted by the Accounting Division, to the BIR. Details are as shown in the Table 29.

Table 29 - Analysis of Amount Withheld and Remittances in CY 2020

Month	Compensation			Expanded			Percentage			Total
	Withheld	Remittance	Under(Over) remittance	Withheld	Remittance	Under(Over) remittance	Withheld	Remittance	Under(Over) remittance	
Jan	P302,052.02	P307,231.34	P(5,179.32)	P36,001.52	P44,596.16	P(8,594.64)	P40,334.92	P39,625.09	P709.83	P(13,064.13)
Feb	316,797.10	316,797.10	-	100,009.00	108,796.73	(8,787.73)	103,019.37	102,033.00	986.37	(7,801.36)
Mar	423,637.61	421,237.61	2,400.00	36,478.25	26,578.25	9,900.00	28,336.28	28,336.28	-	12,300.00
Apr	358,047.09	358,047.09	-	53,707.53	82,363.96	(28,656.43)	14,126.82	14,126.82	-	(28,656.43)
May	365,647.09	365,647.09	-	54,400.03	54,329.28	70.75	61,418.88	61,065.11	353.77	424.52
Jun	359,531.70	357,131.70	2,400.00	41,978.91	32,078.90	9,900.01	39,396.73	39,396.73	-	12,300.01
Jul	354,106.32	351,706.32	2,400.00	39,712.14	29,812.14	9,900.00	47,855.51	47,855.51	-	12,300.00
Aug	353,247.09	350,847.09	2,400.00	45,774.50	38,574.50	7,200.00	57,266.05	57,266.05	-	9,600.00
Sept	358,636.29	365,836.29	(7,200.00)	79,969.40	109,669.40	(29,700.00)	68,290.30	68,290.30	-	(36,900.00)
Oct	373,622.38	373,622.38	-	58,737.15	58,776.15	(39.00)	41,502.96	41,619.96	(117.00)	(156.00)
Nov	362,434.97	360,196.26	2,238.71	226,083.99	226,083.99	-	989,044.58	987,889.58	1,155.00	3,393.71
Dec	295,885.28	304,517.09	(8,631.81)	110,699.03	88,196.47	22,502.56	110,236.65	87,012.57	23,224.08	37,094.83
	P4,223,644.94	**P4,232,817.36**	**P(9,172.42)**	**P883,551.45**	**P899,855.93**	**P(16,304.48)**	**P1,600,829.05**	**P1,574,517.00**	**P26,312.05**	**P835.15**

15.3. Ideally, the amount of taxes withheld during the month should be the amount remitted to the BIR in the succeeding month, adding or deducting adjustments made, if any, and duly recorded and supported by JEVs .

15.4. Review of the GL, vouchers and other pertinent data on the amount withheld and remittances made to BIR for CY 2020 revealed that the above discrepancies may be due to, but not limited to, the following:

a. Tax was remitted but no withholding tax was booked
b. Withholding tax was booked but not remitted
c. Late remittance of the taxes withheld
d. Over/under remittance of the taxes withheld
e. Penalties imposed was booked under the Due to BIR account instead of charging it to the expense account

15.5. While there were adjustments made that were remitted in the succeeding months, it can still be observed that taxes withheld on some items remained unremitted. Likewise, some remittances made were not provided with a liability set-up.

15.6. Inquiry with the Senior Investment Specialist revealed that there were no monitoring/schedules being maintained for the taxes withheld and remittances aside from the preparation of SLs. However, upon review of the submitted SLs, it was noted that the total of SLs did not tally with its GL control account.

15.7. Timely monitoring of the amount withheld and its relative adjustments prior to remittance is essential to ensure that the amount of taxes withheld during the month are fully remitted to the BIR on or before the 10th day of the succeeding month. This is also to immediately address necessary adjusting entries to be ascertained that all the remittances made correspond with the taxes recorded in books and eventually, come up with reliable and accurate balances.

15.8. Further, the existence of unremitted taxes withheld exposes PCIC to possible imposition of charges, interests and penalties by the BIR. It was noted that the penalties imposed by the BIR on May 2020 under JEV No. 2020-05-29 amounting to P28,656.43 was debited to Due to BIR - Withholding Tax - Expanded (1601E) account instead of Due from Officers and Employees account, to recognize the accountability of accountable officers for the BIR penalty charges.

15.9 We recommended that Management:

a. Require the Finance Manager to assign a 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;

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;

c. Require the accountable officers to pay for the penalty of P28,656 paid by the PCIC; and

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.

15.10. As mentioned by the Manager of Finance Department in the HO during the Exit Conference, the penalty, interest and surcharge incurred was due to the non-payment of the tax dues on time during the implementation of the Enhanced Community Quarantine in Metro Manila.

15.11. As a rejoinder, the provision of Section 251 of the NIRC clearly identified the person liable to pay for the penalty charges on non-remittance of the correct amount of taxes. In view thereof, we stand by our recommendation that the penalty of P28,656 be refunded by the accountable officers to the PCIC.

COMPLIANCE WITH GSIS, Pag-IBIG and PhilHealth REGULATIONS

16. The pertinent provisions of Section 6 of RA No. 8291 otherwise known as the GSIS Act of 1997, Section 20 of Rule III, Title III of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 1995 RA No. 7875 as amended by RA No. 9241 and RA No. 7742, an Act amending PD No. 1752, known as the Pag-IBIG Fund Law were duly complied with within the period prescribed for the withholding of contributions and remittance of employees' and employer's share to the GSIS, PhilHealth and Pag-IBIG, respectively.

DIVIDENDS DUE TO THE NATIONAL GOVERNMENT

17. Remittance of the dividends for Dividend Year (DY) 2019 net earnings was not supported with the documents prescribed under Section 6(b) of the 2016 Revised IRR of RA No. 7656 while the remittance of P250 million was only supported with an Acknowledgement Receipt signed by the BTr Deputy Treasurer instead of an OR contrary to Section 3.3.1 of COA Circular No. 2004-006.

17.1. These are reiterations with updates of audit observations embodied in the Management Letter on Compliance Audit on Dividends and Annual Audit Report (AAR) of PCIC for CY 2019.

17.2. Section 3(i) of the 2016 Revised IRR of RA No. 7656 provides, among others, that Net Earnings shall include:

i. *Income subject to income tax, as provided in the Annual Income Tax Return, net of tax;*
ii. *Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax;*
iii. *Income exempt from tax, as provided in the Annual Income Tax Return Schedule on Gross Income/Receipts Exempt from Income Tax, net of tax.*

17.3. The CY 2019 AAR on PCIC was duly received by PCIC on September 30, 2020. On the other hand, the amended Annual Income Tax Return (ITR) was filed to BIR through the Electronic Filing and Payment System (eFPS) on August 26, 2020.

17.4. Review of the pertinent documents for dividends covering DY 2019 disclosed that there was a difference between the Net Income as reported in the audited FS and in the amended Annual ITR. Details are shown in Table 30.

Table 30 – Comparison Between the Net Income per Audited FS and Per Amended ITR for CY 2019

Account	Per Audited FS	Per Amended ITR	Difference
Service and business income	P2,415,255,036	P5,912,960,892	**P3,497,705,856**
TOTAL INCOME	**2,415,255,036**	**5,912,960,892**	**3,497,705,856**
EXPENSES			
Underwriting expenses/Direct Costs			
Insurance benefits	4,276,327,725	4,276,327,725	**-**
Total underwriting expenses/Direct costs	**4,276,327,725**	**4,276,327,725**	**-**
Personal services	**193,508,562**	**193,538,533**	**29,971**
MOOE			**-**
Professional services	262,397,540	262,624,322	**226,782**
Traveling expenses	53,735,956	53,767,125	**31,169**

Account	Per Audited FS	Per Amended ITR	Difference
Taxes, insurance premiums and other fees	40,066,498	40,066,498	**-**
Training and scholarship expenses	20,781,071	20,958,815	**177,744**
Supplies and material expenses	22,245,629	22,245,629	**-**
Utility expenses	20,076,501	20,260,936	**184,435**
Communication expenses	11,762,751	11,777,494	**14,743**
General services	10,766,871	10,772,586	**5,715**
Repairs and maintenance	8,599,334	8,599,334	**-**
Confidential, intelligence and Extraordinary expenses	1,692,230	1,727,180	**34,950**
Survey, research, exploration and development expenses	3,608,959	3,608,959	**-**
Other MOOE	52,483,280	53,057,818	**574,538**
Total MOOE	**508,216,620**	**509,466,696**	**1,250,076**
Financial expenses	**4,097,245**	**4,097,245**	**-**
Non-cash expenses	**22,015,671**	**22,015,671**	**-**
TOTAL OPERATING EXPENSES	**5,004,165,823**	**5,005,445,870**	**1,280,047**
Net assistance/subsidy	3,500,000,000	-	**(3,500,000,000)**
Net Income After Subsidy	**911,089,213**	**907,515,022**	**(3,574,191)**
Other Comprehensive Income	39,961,986		
NET INCOME	**P 951,051,199**	**P 907,515,022**	**P (43,536,177)**

17.5. Scrutiny of the aforementioned difference revealed that it represents Prior Year's Adjustments or expenses for prior years paid in CY 2019, thus, added as an expense in the amended ITR for DY 2019.

17.6. The dividend for DY 2019 amounting to P453.810 million was declared under Board Resolution No. 2020-033 dated April 14, 2020. However, review of the Disbursement Vouchers, Journal Entry Vouchers, GL and other pertinent data revealed that the dividends due was computed at 50 per cent of the unaudited Net Income amounting to P907.621 million. Declaration and remittance of the same were made as shown in Table 31.

Table 31 – Declaration and Remittance of Dividends for DY 2019

Declaration	JV No.	JV Date	Supporting Documents	Dividend Base	Dividend Due (50%)
Set up of Payable	2020-04-55	04/30/2020	BR No. 2020-033 and unaudited FS	P 907,620,604	**P 453,810,302**
Remittance	**Check No.**	**Check Date**	**Supporting Documents**	**Date**	**Dividend Remitted**
Advance payment	500871	04/07/2020	Acknowledgement Receipt signed by the Deputy Treasurer	06/17/2020	250,000,000
Second payment	500924	05/11/2020	OR No. 7060999 Y	05/13/2020	203,810,302
					P 453,810,302

17.7. As can be gleaned from the preceding tables, there is a difference between the Net Earnings from the previously declared dividends and from the amended ITR, resulting in the over remittance of the dividends declared and remitted for DY 2019 amounting to P52,791 as shown in Table 32.

Table 32 – Should Be Dividend for DY 2019

Particulars	Dividend Previously Declared and Remitted (Unaudited FS)	Should be Dividend Declared and Remitted (Amended ITR)	Difference
Dividend Base	P 907,620,604	P 907,515,022	105,582
Multiplied by Dividend Rate	50%	50%	50%
Dividend Due	**P 453,810,302**	**P 453,757,511**	**P 52,791**

17.8. Section 6(b) of the 2016 Revised IRR of RA No. 7656 provides that:

> *Simultaneous with the payment of the Dividends to the BTr, the GOCC shall send the DOF* [Department of Finance]*: (i) schedule showing the computation of Dividends due (copy furnish BTr); (ii) copy of its Annual Income Tax Return, duly received by the BIR or authorized agent banks, for the relevant Dividend Year; (iii) Financial Statements for the relevant Dividend Year duly received by the BIR or authorized agent bank; and (iv) schedules on program subsidies and subsidies granted to settle tax obligations for prior year/s treated as revenues, and actual disbursements of program subsidies treated as expenses. The schedules should be signed by the GOCC's chief executive officer.*

17.9. As provided in the above-cited provision, the Management shall submit to the DOF the documents enumerated in Section 6(b) of the said IRR as support to the payment of dividends to the BTr. However, review of the DV for the remittance of dividend and inquiry with the Accounting Division revealed that it was only supported by the Preliminary Condensed SCI for CY 2019 and a Board Resolution.

17.10. It was also noted that the remittance made to the BTr under Check No. 500871 amounting to P250 million was only supported with an Acknowledgement Receipt signed by the Deputy Treasurer instead of an OR contrary to Paragraph III.3.3.1 of COA Circular No. 2004-006 dated September 9, 2004 which states that:

> *3.3.1. A paper-based evidence of receipt of payment may take any of the following forms:*
>
> > *a. Official Receipt (OR) — The OR shall be required for disbursements where the payee/recipient is a business establishment required by the Bureau of Internal Revenue to issue Official Receipts for its collections. The OR may also be in the form of cash receipt tape generated by cash register with Bureau of Internal Revenue seal.*
> >
> > *xxx*
> >
> > *c. Acknowledgment Receipt (AR) — The AR shall be acceptable for disbursements made from the cash advance of the disbursing official where the payee is not a business entity required by the*

Bureau of internal Revenue to issue ORs. It may be printed, typewritten or handwritten and must bear the signature of the payee.

17.11. As a government entity, the BTr is required to issue OR for its collections. Inquiry with the Accounting Division revealed that due to the pandemic and lockdown, the BTr was not able to issue OR for the said remittance. They were advised that an OR will then be issued, however, no OR has been issued to date despite communication made regarding this matter.

17.12 We reiterated our recommendation that Management require the Accounting Division to submit the documents to BTr and DOF as required under Section 6(b) of the 2016 Revised IRR of RA 7656.

17.13 We also recommended that Management require the Accounting Division to communicate with the BTr regarding the issuance of the OR for the dividend remitted on April 7, 2020 amounting to P250 million.

SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

18. As at December 31, 2020, the unsettled audit disallowances and suspensions amounted to P7.325 million and P56,930, respectively. There were no unsettled audit charges at year-end. Summary is shown in Table 33.

Table 33 – Summary of Unsettled Audit Suspensions, Disallowances, and Charges as at December 31, 2020

Particulars	Beginning Balance	Adjustments	Adjusted Beginning Balance	Issuances	Settlements	Ending Balance
Disallowances	P 7,085,688	P 86,476	P 7,172,164	P451,704	P 298,610	P 7,325,258
Suspensions	63,339	3,203	66,543		9,613	56,930
Charges	-		-	-	-	-
	P 7,149,027	**P 89,949**	**P 7,238,707**	**P451,704**	**P 308,223**	**P 7,382,188**

18.1 The composition of the Disallowances of P7.325 million is shown in Table 34.

Table 34 – Composition of Notice of Disallowances (NDs)

Particulars	Amount
Within the reglementary period to appeal	P 451,704
Final and Executory	371,971
Under Appeal	6,497,182
With Decision	4,400
	P 7,325,257

18.2 Disallowance totaling P448,500 was already refunded on May 28, 2021 with 39 ORs duly validated by the RO No. I Audit Team, thus leaving the balance of P3,204.32 unsettled disallowance as of this report.

18.3 COA Orders of Executions were already issued for final and executory disallowances amounting P371,971, while Appeal Memorandums were filed before the

Commission Proper for Disallowances amounting to P6.497 million. Table 35 shows the summarized status of the NDs.

Table 35 – Summary of the Status of NDs

Issued by	Amount	Status/Remarks
I. NDs within the reglementary period to file for appeal (2 NDs)		
RO No. I	P 448,500	Fully settled as of May 28, 2021; For issuance of Notice of Settlement of Suspension, Disallowance and Charge
RO No. VIII	3,204	
Sub -Total	**451,704**	
II. NDs that attained its Finality (12 NDs)		
RO No. III	50,000	With COA Order of Execution (COE)
RO No.VIII	3,489	With COE
HO	9,500	No Appeal was filed within the reglementary period; With Notice of Finality of Decision (NFD) and for issuance of COE
RO No.VIII	94,907	No Appeal was filed within the reglementary period; With NFD and for issuance of COE
HO	84,075	No Appeal was filed within the reglementary period; For issuance of NFD and COE
RO No.VIII	130,000	No Appeal was filed within the reglementary period; For issuance of NFD and COE
Sub -Total	**371,971**	
III. NDs with Corporate Government Sector (CGS) Cluster 5 Decisions (1 ND)		
HO	4,400	With COA CGS-5 Decision No. 2017-017 dated March 14, 2017; For issuance of NFD and COE
Sub -Total	**4,400**	
IV. NDs with Appeal Memorandum (4 NDs)		
HO	6,497,182	With Petition for review filed before the COA Commission Proper
Sub -Total	**6,497,182**	
Grand Total	**P 7,325,257**	

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 73 audit recommendations embodied in the Annual Audit Reports (AARs) for CY 2019 and prior years, 18 were fully implemented thus, deleted and excluded from this Status; 18 were partially implemented; 12 were not implemented; and 25 were revised and reformulated to be more specific, measurable and doable, as follows:

Observations and Recommendations	Status of Implementation
<u>CY 2019 AAR</u>	
1. The reliability of the Gross Insurance Premiums and Insurance Benefits of P5.740 billion and P4.189 billion, respectively, in the Statement of Comprehensive Income (SCI) could not be ascertained due to the differences in the Insurance Premiums and Government Premium Subsidy (GPS) accounts vis-à-vis the Consolidated Premium Registers (CPR) by P51.215 million and Insurance Benefits account vis-à-vis Consolidated Claims Registers (CCR) by P911.968 million. Moreover, several deficiencies existed in the data of the CCR generated from the PCIC Automated Business System (PABS), such as: (a) difference of P2.100 million between the amount of insurance cover and indemnity paid due to inclusion of other benefits of beneficiaries under Credit and Life Term Insurance (CLTI) for 436 claims, and data entry error in PABS for livestock, High Value Crop (HVC) and rice insurance involving 17 claims; and (b) payment date was earlier than the date of loss on 266 claims totalling P2.652 million.	
We reiterated our prior years' audit recommendations that Management:	
a. Instruct the Accounting Division, Marketing and Sales Division (MSD), and Claims and Adjustment Division (CAD) of PCIC Regional Offices (ROs) to coordinate on a monthly basis and prioritize the reconciliation of differences between the SCI and: (i) CPR for Insurance Premiums and GPS accounts; and (ii) CCR for Insurance Benefits account, and make appropriate adjusting entries, if warranted;	Revised and reformulated under Paragraph No. 3 of Part II of this Report.

Observations and Recommendations	Status of Implementation
b. Require the PMIO to:	
b.1 Generate a copy of the CPR and CCR on a monthly basis for verification and validation by the Accounting Division to detect errors, if any, and promptly submit report thereon to Planning and Management Information Office (PMIO) for resolution; and	Revised and reformulated under Paragraph No. 3 of Part II of this Report.
b.2 Provide security features to be embedded in the system that will detect the errors noted.	Revised and reformulated under Paragraph No. 3 of Part II of this Report.
c. Require the CAD and Regional Managers (RMs) to review thoroughly the data encoded in PABS, including its supporting documents, prior to on-line approval to ensure completeness and prevent occurrence of error in encoding; and	Revised and reformulated under Paragraph No. 3 of Part II of this Report.
d. Ensure strict compliance with the scheduled year-end cut-off date in the recording of production or premiums in PABS and PCIC Financial Management System (PFMS), as well as, closing of books in Head Office (HO) and ROs to avoid accumulation of reconciling items so as to come up with a reliable FS.	Revised and reformulated under Paragraph No. 3 of Part II of this Report.
We further recommended that Management:	
a. Require the RMs to submit documents to justify the claims paid more than the amount of insurance cover amounting to P2.181 million, otherwise, require the insured and the person responsible to refund the amount of overpayment.	Not Implemented.
b. Instruct the PMIO to create separate account codes for hospitalization, accident and burial assistance benefits under CLTI in the Chart of Accounts.	Not Implemented.

Observations and Recommendations	Status of Implementation
2. The absence of complete Subsidiary Ledgers (SLs) to support the General Ledger (GL) control accounts for Receivable and Payable accounts with balances of P492.989 million and P22.985 million, respectively, and the existence of 11 liability accounts with abnormal balances aggregating P71.141 million affected the reliability and fairness of presentation of the Receivable and Payable accounts with outstanding balances of P1.300 billion and P4.615 billion, respectively.	
We reiterated our prior year's audit recommendations that Management require the Finance Manager and Regional Accountants to:	
a. Conduct the proper and regular monitoring, verification, analysis, validation, and review of the transactions recorded, particularly for Receivable and Payable accounts, to ensure the correctness and reliability of the reports and balances thereof;	Revised and reformulated under Paragraph No. 4 of Part II of this Report.
b. Assign personnel who will be tasked to prepare and maintain SLs in manual or Excel format in the meantime that the PFMS could not generate the same, and reconcile the GL and SLs on a regular basis, so that any discrepancy between the two records could be immediately analyzed and appropriate adjustments be made accordingly.	Revised and reformulated under Paragraph No. 4 of Part II of this Report.
We also recommended that Management require the Finance Manager and Regional Accountants to trace prior years' accounting entries to ascertain the cause of the abnormal balances and effect the necessary adjustments thereon.	Revised and reformulated under Paragraph No. 4 of Part II of this Report.
3. Dormant and long outstanding receivables aggregating P59.708 million or 49.65 per cent of the Other Receivables account and the absence of supporting documents cast doubt on the reliability of the balance of	

Observations and Recommendations	Status of Implementation
P115.079 million as at year-end. Thus, the collections thereof could not be enforced.	
We recommended that Management:	
a. Employ all possible means to locate the documents relative to the receivables to ensure the reliabilty and accuracy of the account balances;	Revised and reformulated under Paragraph No. 2 of Part II of this Report.
b. Exert utmost effort to collect the dormant receivable accounts following the guidelines set forth in COA Circular No. 2016-005 by sending demand letters and filing of appropriate legal action, if warranted;	Revised and reformulated under Paragraph No. 2 of Part II of this Report.
c. If all collection measures and document recoveries fail, request for the write–off of non-moving/dormant receivables pursuant to COA Circular No. 2016-005; and	Revised and reformulated under Paragraph No. 2 of Part II of this Report. Management submitted request for write-off with a letter dated February 23, 2021, however it was returned by the Audit Team due to lack of data/information
d. Establish sound management practices to ensure that all receivables are collected and realized to prevent losses and wastage of government resources.	Revised and reformulated under Paragraph No. 2 of Part II of this Report.
4. The production targets for the implementation of Registry System for Basic Sector in Agriculture (RSBSA) Program for Fiscal Year (FY) 2019 for five out of six insurance lines were not achieved despite overproduction of P314.63 million. Inadequate embedded controls in the PABS and non-uniformity in its usage may affect the efficient implementation of the program and reports generated by the system related to RSBSA, hence, may not benefit other intended beneficiaries included in the RSBSA list. There is also a risk of incorrect decision due to unreliable and incomplete information or data processed by the system.	

Observations and Recommendations	Status of Implementation
We reiterated our prior years' recommendations that Management:	
a. Direct the programmers concerned assigned at PMIO to immediately install the embedded controls in the PABS to accept only valid data;	Revised and reformulated under Paragraph No. 8 of Part II of this Report.
b. Require the insurance underwriters and processors to comply strictly with the guidelines on complete documentation of all insurance subsidy specifically on Non-Crop Agricultural Asset - Fisheries Line; and	Partially Implemented.
c. Direct the MSD to ensure that all applications for insurance subsidy are supported by complete documents before issuance of Insurance Policy to beneficiaries.	Partially Implemented.
We also recommended that Management:	
a. Intensify the nationwide campaign of the PCIC Regional Information, Marketing Education Team to reach out to more farmers and fisherfolk and eventually achieve the production targets;	Revised and reformulated under Paragraph No. 8 of Part II of this Report.
b. Require the Manager of PMIO to come up with a guideline for the use of PABS to ensure uniformity of usage and user access; and	Not Implemented.
c. Instruct all officers and employees concerned with the underwriting process to exercise due diligence in handling and encoding of data, as well as, review of the encoded data to come up with a reliable report.	Revised and reformulated under Paragraph No. 9 of Part II of this Report.
5. The Gender and Development (GAD) Plan and Budget (GPB) for FY 2019 was not reviewed and endorsed by the Philippine Commission on Women (PCW) as it was submitted 174 days or six months past the deadline while the FY 2019 GPB and GAD Accomplishment Report (AR) were not revised to align with the duly-approved FY 2019 Corporate Operating Budget (COB).	

Observations and Recommendations	Status of Implementation
Thus, the resulting GAD budget allocation and actual utilization represent 2.81 per cent and 2.62 per cent, respectively, only of the FY 2019 COB contrary to Joint Circular (JC) No. 2012-01 of the PCW, National Economic and Development Authority (NEDA), and Department of Budget and Management (DBM) and the pertinent PCW Memorandum Circulars. Moreover, the GAD database was not updated and not used for GAD planning while the budget of major programs/projects was not attributed to the GAD budget using the Harmonized Gender and Development Guidelines (HGDG) tool, which resulted in non-identification of strengths and areas for improvement to gradually increase the gender responsiveness of the aforesaid programs/projects.	
We recommended that Management require the GFPS to strengthen its monitoring system by ensuring the following:	
a. Timeline set by the PCW in the preparation and submission of GPB, as well as GAD AR, is strictly observed;	Revised and reformulated under Paragraph No. 14 of Part II of this Report.
b. GPB is revised and submitted to PCW once the revised COB has been approved;	Revised and reformulated under Paragraph No. 14 of Part II of this Report.
c. Computation of the utilization rate in the GAD AR is based on the revised GAD budget and duly-approved COB;	Revised and reformulated under Paragraph No. 14 of Part II of this Report.
d. GAD database is regularly updated and data is utilized as inputs or bases for planning, programming, and policy formulation;	Revised and reformulated under Paragraph No. 14 of Part II of this Report.
e. A portion or the whole budget of major programs/projects of PCIC is attributed to the GAD budget using the HGDG tool; and	Revised and reformulated under Paragraph No. 14 of Part II of this Report.
f. All other provisions of the PCW-NEDA-DBM JC, PCW MCs, and other pertinent issuances are duly complied with.	Partially Implemented.

Observations and Recommendations	Status of Implementation
6. 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 the 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;	Not 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;	Not Implemented. For CYs 2019 and 2020, ITRs were filed using BIR Form No. 1702-EX
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 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	Not Implemented.
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.

Observations and Recommendations	Status of Implementation
CY 2018 AAR	
7. The combined Report on the Physical Count of Property, Plant and Equipment (RPCPPE) of HO and ROs was not prepared to substantiate the net carrying value (NCV) of Property and equipment (PE) account amounting to P94.683 million as at December 31, 2018. In HO alone, the cost shown in the SFP differed by P8.596 million against the RPCPPE, while the cost and accumulated depreciation in SFP differed by P10.175 million and P4.900 million, respectively, against the Lapsing Schedule (LS). The PPE Ledger Cards (PPELCs) and the updated Property Cards (PCs) were not maintained by the Accounting Division and Property Management and General Services Division (PMGSD). Hence, the existence and completeness of PE account cannot be ascertained.	
We reiterated our prior year's recommendation that Management require the Accounting Division and PMGSD to:	
a. Coordinate on a regular basis and exert effort to update and reconcile the discrepancy between the balance in the books and RPCPPE; and	Revised and reformulated under Paragraph No. 7 of Part II of this Report. In CY 2020, discrepancy of P4.884 million still exist in the PPE acquisition cost between that reported in the books and in the RPCPPE in HO and RO Nos. I and III-A.
b. Maintain a complete and updated PPELCs and PCs to facilitate the reconciliation of accounting and property records, and prepare the necessary adjustments accordingly.	Revised and reformulated under Paragraph No. 7 of Part II of this Report. The maintenance of PPELCs and PCs had been partially complied with as these were still incomplete since various properties acquired in CY 2020 were not provided with PPELC. Moreover, PPELCs and PCs were maintained through electronic

Observations and Recommendations	Status of Implementation
	database/excel file, which data integrity has not been established. Inquiry with the IT Officer disclosed that the maintenance of PCs could be integrated in the PFMS.
We also recommended that Management require the Accounting Division to exert effort to update the records and reconcile the cost and accumulated depreciation and LS.	Revised and reformulated under Paragraph No. 7 of Part II of this Report. In CY 2020, discrepancies of P3.532 million and P0.726 million exist in the cost and accumulated depreciation, respectively, between the balances reported in the books and in the LS.
8. In RO Nos. IV and VIII, settlement of indemnity claims totaling P14.746 million to 1,425 farmers registered under the various insurance programs/insurance lines were delayed by one to 379 days from the prescribed period set in PCIC's Operational Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions. We recommended that Management:	
a. Require the OICs of MSD and CAD to prioritize the prompt processing of the claims of farmers and fisherfolk and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for them to timely restore their farm lands; and	Partially Implemented. For CY 2019, settlement of indemnity claims totaling P378.497 million to 54,378 farmers registered under the various insurance programs/ insurance lines were delayed by one to 1,050 days for RO Nos. II, IV, VI, VIII, and IX. Fully implemented in RO No. VIII, however, still not implemented in RO IV.
b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable	Partially Implemented.

Observations and Recommendations	Status of Implementation
beneficiaries to immediately recover and restore their farmlands.	In RO No. II, personnel from AFD and MSD were detailed for claims adjustment and processing while, in RO No. VI, they will be having additional hiring of personnel in ensuing year. In RO VIII, they hired 45 RCAs for claims adjustment only.
We further recommended that Management:	
a. Require the PMIO to immediately act on the problems encountered by the ROs in the use of PABS to avoid delay in the settlement of claims; and	Partially Implemented.
b. Come up with doable strategies that will expedite the submission of documents by affected farmers and fisherfolk, to facilitate the timely processing and settlement of claims within the prescribed period.	Partially Implemented.
9. Property and equipment (PE) with an NCV of P14.963 million were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS), thus exposing PCIC to risk of non-indemnification for damaged or lost of uninsured property in case of calamities or fortuitous event.	
We recommended that Management:	
a. Require all ROs to submit the complete and updated PIF, for consolidation at the HO by the PMGSD; and	Partially Implemented. Only the motor vehicles were insured with the GIF of the GSIS in RO VII.
b. Insure all PCIC PE with the GIF of the GSIS pursuant to RA No. 656 as implemented by COA Circular No. 2018-002.	Partially Implemented. PCIC HO submitted list of properties to be insured to GSIS on March 4, 2020, however, due to various circumstances brought by the pandemic, GSIS was not able to

Observations and Recommendations	Status of Implementation
	provide premium amount for the properties for 2020. Currently, GSD is finalizing the list of properties for insurance for CY 2021. Moreover, properties in RO Nos. I, II and III-A were not fully insured with the GIF of GSIS as of December 31, 2020.
10. In HO, the untimely monitoring of taxes withheld vis-à-vis remittances to the BIR and lack of review by the OIC – Accounting Division for the remittances made, resulted in discrepancy of P361,345 between the amount of taxes withheld per books and amount remitted to the BIR as at December 31, 2018.	
We recommended that Management require the OIC – Accounting Division to review the taxes for remittance to ensure the correctness and timeliness of monthly remittance to the BIR.	Revised and reformulated under Paragraph No. 15 of Part II of this Report. . In HO, discrepancies in the amount 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 was observed. Likewise, discrepancies between the amount withheld and remitted in RO No. I amounted to P106,017.
We also recommended that Management require the Accounting Division to make the necessary adjusting entries, if warranted, on the identified unrecorded withholding taxes to correct the accumulated variance in previous years.	Not Implemented.

Observations and Recommendations	Status of Implementation
CY 2017 AAR	
11. The existence and completeness of PE account with net carrying amount of P90.329 million as at December 31, 2017 could not be ascertained due to unreconciled variances of P31.533 million between the GL balance and the RPCPPE and also P28.010 million and P10.114 million between the cost and accumulated depreciation in the books and LS. Moreover, there is net overstatement of the PE account by P7.013 million and understatement of Intangible Assets, Semi-expendable items and Income from Grants and Donations in Kind by P6.129 million, P1.752 million and P0.869 million, respectively, among others, due to: (a) inclusion of acquisition, development and other related cost of a Computer Software totaling P6.129 million; (b) non-adjustment to appropriate account of semi-expendable properties below the P15,000 threshold in HO and RO No. XI of P1.752 million; and (c) non-recognition in HO, RO Nos. X and XI of project equipment transferred from the Weather Index-Based Insurance (WIBI) Mindanao-United Nations Development Program (UNDP) funded Project with carrying amount of P0.869 million.	
We recommended and Management agreed to reclassify Computer Software under Intangible Assets and provide monthly amortization in accordance with existing regulations. Likewise, provide costing for accomplishments of hired personnel attributable to the development of PABS from the date of contract up to the date of acceptance by PCIC of their respective deliverables, and reclassify the same from Expense to Intangible Asset under Computer Software account. Moreover, reclassify the remaining tangible assets below the capitalization threshold of P15,000 and provide the Property Officer with the list of items as basis of dropping from the RPCPPE and subsequently adjust any overstatement or understatement in the	Partially Implemented. Computer Software totaling P6.129 million was reclassified through conversion of accounts from New Government Accounting System (NGAS) to Philippine Financial Reporting Standards (PFRS) under Journal Entry Voucher (JEV) No. 2018-09-1. Monthly amortization is being provided properly. However, accomplishment report on the deliverables of hired personnel attributable to the development of PABS has not been provided.

Observations and Recommendations	Status of Implementation
reclassification from PE to Inventories – Semi-expendable Machinery and Equipment and/or Semi-expendable Furniture and Fixtures once reconciliation has been completed.	
12. The Agri-Agra Funds (AAF) totaling P1.853 billion were not transferred on a quarterly basis from the Bangko Sentral ng Pilipinas (BSP) to the account of PCIC in CYs 2014 and 2017, and were not supported with Statements of Account (SAs), contrary to Subsection 15.2 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 10000 or the "Agri-Agra Law", hence the completeness of the amounts credited to PCIC account could not be determined. Moreover, the absence of a separate bank account maintained for the Fund may result in the unauthorized use for other purposes other than for insurance.	
We recommended that Management:	
a. Instruct the Finance Department to communicate in writing to BSP requesting SAs to support the funds transferred to PCIC, as required in Subsection 15.2 of the IRR;	Not Implemented. The Audit Team, however, wrote a letter dated February 26, 2019 to the Office of the Auditor, BSP asking for data/information/schedules which the latter provided based on their letter dated March 18, 2019.
b. Require the Accounting Division to verify and check the completeness of remittances made by BSP once the SAs are received from BSP; and	Not Implemented.
c. Establish a separate bank account for AAF to facilitate recording, monitoring and reporting purposes, which shall be reconciled on a regular basis with the schedule or report maintained by the Accounting Division.	Not Implemented As of December 31, 2020, AAF has been fully utilized. However, in May 2021 the Bangko Sentral ng Pilipinas remitted the amount of P1.400 billion to PCIC for the AAF account.
13. The grant of multiple insurance coverage to farmer-beneficiaries in RO Nos. III and VII	

Observations and Recommendations	Status of Implementation
under the Registry System for Basic Sectors in Agriculture (RSBSA) and other insurance programs, was not compliant with Section 2.B.10, Part III of the Operations Manual for Rice and Corn Insurance and pertinent provisions of RA No. 10924 [General Appropriations Act (GAA) for FY 2017], due to absence of security features embedded in the PABS; thereby depriving other eligible farmers and fisherfolk to avail free insurance program of the government.	
We recommended that Management require the PMIO to enhance the PABS-Underwriting and Marketing System (UMS) to provide security features in the system to detect Application for Crop Insurance (ACI) with the same: (a) name, (b) subject matter/object, (c) subject matter is separately insured two or more times, and (d) interest of the assured and risk or peril insured against, in order to prevent double insurance.	Partially Implemented. In RO III, there are additional 8 farmer beneficiaries on top of the previously reported 85, garnering a total of ninety-three (93). The definition of double insurance here have been revised to those farmers who availed non RSBSA program even though they are registered under RSBSA, or vise versa, in the same cropping season
We further recommended that Management determine other causes of double insurance and come up with doable solutions to address the same.:	Partially Implemented.
<u>CY 2016 AAR</u>	
14. The correctness and completeness of the Property, Plant and Equipment (PPE) account with carrying value of P66.107 million as at December 31, 2016 could not be relied upon due to significant variance of P20.092 million between the accounting records and the RPCPPE in HO and RO No. V, which could be attributed to, among others, the non-maintenance of PPE Ledger Cards (PPELCs) and Property Cards (PCs), misclassification of accounts worth P394,990, and unaccounted cost of unserviceable properties in the absence of Inventory and Inspection Report for Unserviceable Property (IIRUP) as basis to record dropping of these unserviceable PPE items from the books as provided in	

Observations and Recommendations	Status of Implementation
Section 64 of the Manual on the New Government Accounting System (MNGAS), Volume II. Moreover, unserviceable properties found at the storeroom of HO and RO No. XII were not disposed of contrary to Section 79 of PD No. 1445.	
We recommended and Management agreed to direct the HO Property Officer to address the lapses in property management by: (i) updating the RPCPPE as to location and names of persons accountable for each PPE item; (ii) renewing Acknowledgement Receipt of Equipment (ARE) every three years and updating the same once the property is transferred from one accountable personnel to another; and (iii) correcting the property tags of those PPE items with similar property number and effect corresponding corrections in the RPCPPE.	Partially Implemented. The location and names of persons accountable are provided for each PPE item in the RPCPPE. However, some AREs were not renewed and updated. Moreover, new format of property sticker are adopted for new purchases only with information as to acquisition cost, date acquired, designation of accountable officer and location, but the name of the accountable officer was not indicated in the property sticker.
15. The collectability and recovery of Receivables-Non-Current accounts of P430.011 million or 99.10 per cent of the total book balance of P433.905 million as at December 31, 2016 are doubtful since these accounts have been dormant for more than 21 to 36 years, due to inability to collect from the NG of the premium subsidy, absence of supporting documents of several accounts and laxity by the RO to enforce collections from farmer-borrowers, among others.	
We recommended that Management to determine the likelihood/probability of collecting the Premium Receivable arrearages from the NG totaling P315.665 million and provide Allowance to present fairly the account Receivables-Non-Current in the financial statements.	Revised and reformulated under Paragraph No. 1 of Part II of this Report. As per confirmation with the Department of Budget and Management, there were no unappropriated balance due the Corporation for the Premium Receivable.
The validity and correctness of the balance of Accounts Payable-Non-Business Lines-Accrued Expenses of P11.565 million as at	

Observations and Recommendations	Status of Implementation
December 31, 2016 are doubtful due to adjustment made without source documents of prior years' accrued expenses totaling P4.518 million and erroneous recording of prior year's expenses totaling P98,212 which were not accrued in CY 2015, thereby affected the fair presentation of the Accounts Payable-Non-Business Lines-Accrued Expenses account and other related accounts in the financial statements.	
We recommended and Management agreed to instruct the HO Accountant to submit the source documents to support the adjusting entry totaling P4.518 million under JEV No. 2015-12-174; otherwise non-submission thereof will cause the reversion of the entry made.	Not Implemented. The source document to support the adjusting entry was not submitted to the Audit Team as at audit date. Moreover, no reversal has been made in CY 2020.
<u>CY 2015 AAR</u>	
16. The existence, accuracy, and validity of the PPE account cannot be established due to unreconciled book balance and inventory reports in RO Nos. VIII and IX aggregating P0.533 million and non-reclassification of unserviceable properties in RO No. IV, VI and XI totaling P0.550 million from PPE to Other Assets account. Meanwhile, the regularity of the procurement of vehicles in CYs 2014 and 2015 by the HO totaling P19.367 million is questionable in view of the absence of complete and appropriate documents as well as non-compliance with the pertinent provisions of RA No. 9184.	
We recommended that Management:	
a. Direct the Head of Finance Department to submit the original copies of the supporting documents, i.e., Certificates of Acceptance, Vehicle Sales Invoice (VSI) and Inspection Reports, etc. that were not submitted as well as documents submitted in Xerox/Photo copies; and	Partially Implemented. As at audit date, the vehicle's sales invoice remained unsubmitted. The submission of the VSI and Vehicle Delivery Receipt (VDR) issued by the winning bidder has not been complied with as of this writing. Management commented that Hallasan and Matterhorn Inc. are both under the

Observations and Recommendations	Status of Implementation
	ownership of ANC Group of Companies, and it is the practice for Matterhorn to represent the company in public bidding with government agencies and Hallasan to issue VSI and VDR as their internal arrangement.
b. Submit a written explanation on the disparity in the number of bidders indicated in Bids and Awards Committee (BAC) Resolution No. 2014-017 dated April 28, 2014 and the Attendance Sheet on the opening of bids dated April 25, 2014 relative to the purchase of Hyundai Starex and on the inconsistencies on the VSI and VDR which were issued by non-winning bidder.	Not Implemented. Management has not yet submitted to the Audit Team the written explanation on the disparity of documents relative to the procurement of Hyundai Starex. The Audit Team retained this recommendation in the CY 2015 AAR. The Auditor stated in its rejoinder that the attendees of the BAC Meeting on April 24, 2014 did not come from the same company, contrary to Management allegation.
17. There are no more claimants as well as developments related to the primary purpose for which the 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 Executive Order (EO) No. 431;	Partially Implemented. Final preparation for the closing of books are on-going.
b. Require the Finance Department to make the necessary reconciliation, consolidation, adjustment, and closing of	Partially Implemented. Final preparation for the closing of books are on-going.

Observations and Recommendations	Status of Implementation
the books of accounts of SRTF when the same is no longer needed; and	
CY AAR 2012	
18. As of December 31, 2012, the balance of COA audit suspensions and disallowances amounted to P3.181 million and P11.642 million, respectively.	
We recommended that Management vigorously enforce the settlement/ collection of the outstanding disallowances especially those that have become final and executory.	Partially Implemented. Of the P11.642 million outstanding disallowances reported in CY 2012, only P212,834 was settled, leaving a balance of P11.429 million as of December 31, 2020, while suspensions of P3.181 million were already fully settled as of even date.