



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

National Dairy Authority  
NDA Building, BAI Compound,  
Visayas Avenue, Diliman, Quezon City

We have audited the accompanying financial statements of the **National Dairy Authority (NDA)**, which comprise the statement of financial position as of December 31, 2016, and the statement of financial performance, statement of changes in net assets/equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Basis for Qualified Opinion***

The 230 dairy animals already reported dead in calendar years 2013 to 2016 have not been requested for relief from property accountability as basis of derecognition of lost assets from the books and recording the accountability of the accountable officers, thereby overstating the Bearer Biological Assets-Livestock account by P20.468 million and understating the Due from officers and employees account by the same amount. Likewise, the 51 heads of imported dairy animals donated by the Bureau of Animal Industry which were subsequently dispersed to animal beneficiaries were not recognized in the books, resulting in the understatement of Trade Receivables account by P7.140 million and Income account by the same amount.

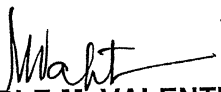
Trade receivables of P122.465 million representing the value of the 883 dairy animals dispersed to animal beneficiaries were not provided with Allowance for impairment despite the likelihood of collection is already remote as the animals were reported dead by the concerned beneficiaries.

The 209 newly born calves were not recognized in the books as gain which is not in accordance with the Philippine Public Sector Accounting Standard 27, thus, understating the Bearer Biological Assets - Livestock account and Income as at December 31, 2016 by undetermined value of the newly born calves.

### ***Opinion***

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of **NDA** as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

### **COMMISSION ON AUDIT**

  
**MERLE M. VALENTIN**  
State Auditor IV  
OIC-Supervising Auditor  
Audit Group D – PFDA/NDA/NTA  
Cluster 5- Agricultural and Natural Resources  
Corporate Government Sector

April 11, 2017



Republic of the Philippines  
Department of Agriculture

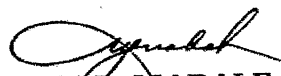
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Tel. No.: (632) 926-0733 to 35 / Fax: (632) 926-8847  
Website: nda.da.gov.ph E-mail: dairyrnda@pilotdsl.net

## **STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of the National Dairy Authority is responsible for all the information and representations contained in the Statement of Financial Position as of December 31, 2016 and the related Statements of Financial Performance, Changes in Net Assets/Equity and Cash Flows for the year then ended. The Financial Statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, the management maintains a system of accounting reporting which provides for the necessary internal controls to ensure that transactions are properly authorized & recorded, assets are safeguarded against unauthorized use or disposal and liabilities are recognized.

  
**CARLOTA H. CRUZ**  
Division Chief, Finance

  
**MARILYN B. MABALE**  
Administrator

**NATIONAL DAIRY AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**  
(In Philippine Peso)

	Note	2016	2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	320,882,760	294,655,154
Receivables - net	5	866,917,590	836,181,506
Inventories - held for consumption	6	5,212,838	5,722,456
Prepayments	7	1,090,014	290,631
		<b>1,194,103,202</b>	<b>1,136,849,747</b>
<b>Non-current assets</b>			
Financial assets - held to maturity	8	61,000,765	61,052,632
Bearer biological assets-livestock	9	96,348,418	104,403,294
Property, plant and equipment - net	10	77,342,545	74,393,030
Other assets	11	31,818,243	8,046,927
		<b>266,509,971</b>	<b>247,895,883</b>
<b>TOTAL ASSETS</b>		<b>1,460,613,173</b>	<b>1,384,745,630</b>
<b>LIABILITIES AND ACCUMULATED SURPLUS</b>			
<b>Current liabilities</b>			
Payable accounts	12	81,382,163	58,454,188
Inter-agency payables	13	64,667,947	169,810,116
Other current liabilities	14	5,985,470	17,561,120
		<b>152,035,580</b>	<b>245,825,424</b>
<b>Non-current liabilities</b>			
Loans payable - national government	15	38,161,492	38,538,153
Deferred credits	16	3,820,692	3,820,692
		<b>41,982,184</b>	<b>42,358,845</b>
		<b>194,017,764</b>	<b>288,184,269</b>
<b>Accumulated surplus/(deficit)</b>		<b>1,266,595,409</b>	<b>1,096,561,361</b>
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>1,460,613,173</b>	<b>1,384,745,630</b>

*The Notes on pages 9 to 19 form part of these financial statements.*

**NATIONAL DAIRY AUTHORITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the Year Ended December 31, 2016**  
(In Philippine Peso)

	Note	2016	2015
<b>REVENUE</b>			
Service income		277,994	412,892
Business income		39,723,374	13,759,544
Miscellaneous income	18	8,385,356	1,725,144
Other income	19	1,869,167	2,848,348
		<b>50,255,891</b>	<b>18,745,928</b>
<b>EXPENDITURES</b>			
	21		
Personal services		70,411,299	63,640,057
Maintenance and other operating expenses		107,431,979	118,377,290
Financial expenses		106,765	139,284
		<b>177,950,043</b>	<b>182,156,631</b>
<b>SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS</b>		<b>(127,694,152)</b>	<b>(163,410,703)</b>
Subsidy income from national government	20	190,472,000	170,472,000
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>62,777,848</b>	<b>7,061,297</b>

*The Notes on pages 9 to 19 form part of these financial statements.*

**NATIONAL DAIRY AUTHORITY**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**For the Year Ended December 31, 2016**  
(In Philippine Peso)

	Accumulated Surplus / Deficit	Government Equity (Note 17)	Total
<b>BALANCE AT JANUARY 1, 2016</b>	619,957,552	476,603,809	1,096,561,361
Changes in net assets/equity for CY 2016 -			
<b>Add/(Deduct)</b>			
Surplus/(Deficit) for the period	62,777,848	-	62,777,848
Other adjustments	(18,648,542)	125,904,742	107,256,200
<b>BALANCE AT DECEMBER 31, 2016</b>	664,086,858	602,508,551	1,266,595,409

*The Notes on pages 9 to 19 form part of these financial statements.*