



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

# **ANNUAL AUDIT REPORT**

**on the**

# **CARBON ASSET DEVELOPMENT FUND**

**(A Project of Land Bank of the Philippines Funded by World Bank Grant)**

**For the years ended December 31, 2020 and 2019**

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# **PART I**

## **AUDITED FINANCIAL STATEMENTS**







Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Ave., Quezon City  
**CORPORATE GOVERNMENT SECTOR**  
CLUSTER I- BANKING AND CREDIT

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**

Land Bank of the Philippines  
Malate, Manila

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of **Carbon Asset Development Fund (CADF)**, a Project of the Land Bank of the Philippines (LBP) funded by World Bank Grant No. TF 019049, which comprise the statements of financial position as at December 31, 2020 and 2019, statements of comprehensive income, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CADF as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

***Basis for Opinion***

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the LBP in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees together with the ethical requirements that are relevant to our audits 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 the financial statements in accordance with PFRSs, 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.

Those charged with governance are responsible for overseeing the CADF'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 LBP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

### **COMMISSION ON AUDIT**

  
**ROCHIE J. FELICES**  
Supervising Auditor

October 25, 2021

**LAND BANK OF THE PHILIPPINES**  
**STATEMENTS OF FINANCIAL POSITION**  
**CARBON ASSET DEVELOPMENT FUND**  
(A Project of the Land Bank of the Philippines Funded by World Bank Grant No. TF 019049)  
**DECEMBER 31, 2020 and 2019**  
(In U.S. Dollar)

	Note	2020	2019
<b>ASSETS</b>			
Cash and Cash Equivalents	4	223,697	111,991
Equipment - net	5	5,533	6,527
<b>Total Assets</b>		<b>229,230</b>	<b>118,518</b>
<b>LIABILITIES</b>			
Accounts Payable	6	2,858	9,486
<b>Total Liabilities</b>		<b>2,858</b>	<b>9,486</b>
<b>FUND BALANCE</b>			
Fund Balance, beginning		109,032	154,031
Excess (Deficiency) of Revenues over Expenses		117,340	(44,999)
<b>Total Fund Balance</b>		<b>226,372</b>	<b>109,032</b>
<b>Total Liabilities and Fund Balance</b>		<b>229,230</b>	<b>118,518</b>



**LAND BANK OF THE PHILIPPINES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**CARBON ASSET DEVELOPMENT FUND**

(A Project of the Land Bank of the Philippines Funded by World Bank Grant No. TF 019049)

**For the years ended DECEMBER 31, 2020 and 2019**

(In U.S. Dollar)

	Note	2020	2019
<b>INCOME</b>			
Grants and Donations		136,966	-
Interest income		101	172
		<b>137,067</b>	<b>172</b>
<b>EXPENSES</b>			
Project Expenses	7		
Consultancy Services		15,408	26,577
Training Expenses		724	1,172
Traveling Expenses		2,937	14,949
Postage, Cable and Telephone Expense		24	244
Stationary and Supplies		0	1,789
Depreciation Expense		1,379	867
		<b>20,472</b>	<b>45,598</b>
Operating Expenses			
Bank Charges		10	-
Withholding Taxes		15	26
		<b>25</b>	<b>26</b>
Other Expenses			
Foreign exchange loss (gain) on revaluation	8	771	(453)
		<b>771</b>	<b>(453)</b>
<b>Excess (Deficiency) of Income over Expenses</b>		<b>117,340</b>	<b>(44,999)</b>

**CARBON ASSET DEVELOPMENT FUND**  
(A Project of the Land Bank of the Philippines Funded by World Bank Grant No. TF 019049)

**STATEMENTS OF CASH FLOWS**  
For the years ended **DECEMBER 31, 2020 AND 2019**

(In U.S. Dollar)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Grants and Donations	136,966	-
Interest Income	101	172
<b>Total Cash Inflows</b>	<b>137,067</b>	<b>172</b>
<b>Cash Outflows</b>		
Consultancy Services	21,796	24,337
Training Expenses	232	1,197
Traveling Expenses	3,778	14,607
Postage, Cable and Telephone Expense	16	329
Stationary and Supplies	4	117
Bank Charges	10	-
Withholding Taxes	15	26
<b>Total Cash Outflows</b>	<b>25,851</b>	<b>40,613</b>
<b>Net Cash Generated by (Used in) Operating Activities</b>	<b>111,216</b>	<b>(40,441)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Equipment	(386)	(6,824)
<b>Net Cash Used in Investing Activities</b>	<b>(386)</b>	<b>(6,824)</b>
Foreign Exchange Gain on Revaluation	875	543
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>111,705</b>	<b>(46,722)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>111,991</b>	<b>158,713</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>223,697</b>	<b>111,991</b>

**CARBON ASSET DEVELOPMENT FUND**  
(A Project of the Land Bank of the Philippines and  
funded by the World Bank Grant No. TF 019049)  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**1. PROJECT INFORMATION**

The World Bank (WB), acting as trustee of grant funds provided by donors under the CADF of the Carbon Partnership Facility (CPF), extended to the Land Bank of the Philippines (LBP) a grant in the amount of USD 410,000. The grant shall be used to assist in financing the development of carbon assets for purchase by the CPF. The CADF Grant Agreement between the WB and LBP was signed on October 28, 2015.

The carbon assets or Certified Emission Reductions will be generated from the LBP's two Program of Activities (POAs) for Animal / Piggery Waste-to-Energy and Landfill Gas-to-Energy Projects that are covered by Emission Reduction Purchase Agreements between the WB and the LBP.

The Project consists of four parts namely: Capacity Building and Technical Support; Marketing and Communication; Sub-Project Inclusion, Monitoring and Verification; and Project Management, which serve as the basis of CADF utilization.

The categories of Eligible Expenditures that may be financed out of the Grant proceeds, and the allocations of the amounts to each category under Goods, Non-Consulting Services, Consultants' Services, Training and Workshops, and Incremental Operating Costs were revised as follows:

<b>Grant Expense Category</b>	<b>Amount of Allocation (in USD)</b>	<b>Revised Allocation (in USD)*</b>
1. Animal / Piggery Waste-to-Energy Project	221,007	285,573
2. Landfill Gas-to-Energy Project	55,917	54,016
3. Project other than above cited categories	133,076	70,411
	410,000	410,000

\*In a WB Memorandum dated June 20, 2019, the WB approved the reallocation of the proceeds of the grant for expense categories.

Out of the USD 410,000 total grant, a USD 210,000.00 was initially transferred from WB to LBP on December 8, 2015 and an additional grant of USD 51,220.47 and USD 136,966.32 on July 3, 2017 and December 22, 2020.

The CADF grant is covered by implementing guidelines based on the CADF Grant Agreement, and LBP Executive Order No. 066 Series of 2016 approved on May 20, 2016. An interim arrangement was established to access the fund via direct withdrawal by LBP Environment Planning Management Department (EPMD) from the USD Account prior to the effectivity of the Implementing Guidelines on the Utilization of Carbon Asset Development Fund under LBP EO No. 066, Series of 2016.

As stipulated in Section 3.06 (c) of the Standard Conditions of the Grant Agreement, the CADF grant shall expire by June 30, 2019. However, in a letter dated June 20, 2019, WB has approved the extension of the CADF grant closing date to April 30, 2021.

## **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### **2.1. Statement of Compliance**

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards.

### **2.2. Basis of Preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to both years presented, otherwise as stated.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1. Accounting of Disbursements**

Starting June 2016, all approved Disbursement Orders (DOs) and Procurement Request Forms (PRFs) paid by LBP Administrative Accounting Department (AAD) were charged outright from the CADF Revolving Fund handled by the LBP Agrarian Accounting Department (AgAD).

### **3.2. Reporting Currency and Translation from PHP into USD**

The original currency of the CADF grant is in US Dollar. Most of the operating expenses were transacted in Philippine Peso currency.

Transactions in PHP were translated to USD using the exchange rate at the date of booking. Year-end rates for the December 31, 2020 and December 31, 2019, were P48.023 and P50.635 to a dollar, respectively. All foreign exchange rates were based on the Philippine Dealing System (PDS) closing rates.

### **3.3. Revenue**

The primary source of revenue is the CADF grant. Its purpose is to spend on eligible activities as covered by its implementing guidelines.

Interest income is the interest earned on the USD and PHP bank accounts.

### **3.4. Equipment**

Equipment is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the equipment. The

residual value of 10% of acquisition cost is in accordance with LANDBANK Executive Order No. 059 series of 2006.

#### 4. Cash and Cash Equivalents

This account consists of:

	2020	2019
	In USD	
Cash in bank		
USD Savings Account	215,801	78,759
Revolving fund	7,896	33,232
	<b>223,697</b>	<b>111,991</b>

The CADF revolving fund was set up on June 8, 2016 amounting to P2.0 million and maintained by the LBP AgAD. The revolving fund shall be used for payment of all allowable expenditures to support the implementation of CADF projects.

#### 5. Equipment

The composition of and movement of this account are as follows:

<b>As at December 31, 2020</b>	<b>In USD</b>
Cost	
At January 1	7,502
Additions	386
At December 31	7,888
Accumulated Depreciation	
At January 1	975
Depreciation for the year	1,380
At December 31	2,355
<b>Net Book Value</b>	<b>5,533</b>
<hr/>	
<b>As at December 31, 2019</b>	<b>In USD</b>
Cost	
At January 1	2,345
Additions	5,157
At December 31	7,502
Accumulated Depreciation	
At January 1	108
Depreciation for the year	867
At December 31	975
<b>Net Book Value</b>	<b>6,527</b>

## 6. Accounts Payable

This account represents outstanding obligations on the basis of normal credit terms and do not bear interest:

Date	Particular	Peso	2020		2019	
			Rate *	USD	Rate *	USD
Dec-19	Various unpaid Training and Postage and Cable expenses	24,869	48.023	518		
Dec-18	Various unpaid Consultancy Services, Training, Travelling and Telephone expenses incurred in CY 2019, related to the promotion of Carbon Finance Support Facility (CFSF).	367,938			50.635	7,267
11-Mar-15	Promotion of CFSF on Financing and CDM Services for hog raisers in Malaybalay City, Bukidnon	37,364	48.023	778	50.635	738
8-Jun-15	Workshop on the Preparation of CFSF Component Project Activity Design Document (CPA-DD)	75,000	48.023	1,562	50.635	1,481
		<b>505,171</b>		<b>2,858</b>		<b>9,486</b>

## 7. Project Expenses

This account represents expenses incurred in the attendance and conduct of CADF training activities and other supporting operations as follows:

	2020				2019			
	Piggery level	Landfill level	Program level	Total	Piggery level	Landfill level	Program level	Total
<b>In USD</b>								
Consultancy Services	10,851	4,557	-	15,408	16,911	9,666	-	26,577
Training	203	11	510	724	615	26	531	1,172
Traveling	2,839	98	-	2,937	14,894	55	-	14,949
Telephone	-	-	-	-	244	-	-	244
Postage and Cable			24	24				
Office Supplies	-	-	-	-	861	6	922	1,789
Depreciation	-	-	1,379	1,379	-	-	867	867
	<b>13,893</b>	<b>4,666</b>	<b>1,913</b>	<b>20,472</b>	<b>33,525</b>	<b>9,753</b>	<b>2,320</b>	<b>45,598</b>

## 8. Foreign Exchange Gain/(Loss)

This account represents foreign exchange gain/(loss) arising from revaluation recognized as follows:

	<b>2020</b>	<b>2019</b>
	<b>In USD</b>	
On Cash Components	876	543
On Accounts Payable	(105)	(90)
	<b>771</b>	<b>453</b>