AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The accuracy, existence and reliability of the year-end balance of Loans Receivable - PSALM amounting to P2.155 billion is doubtful due to unreconciled variance amounting to P350.329 million between NEA books and PSALM as disclosed in its Notes to Financial Statements contrary to Appendix B of IPSAS 1 – Presentation of Financial Statements. The Impairment Loss provided was recognized as prior period adjustment instead of current year as required by Paragraph 67 of IPSAS 29 – Financial Instruments: Recognition and Measurement, resulting in understatement of Impairment Loss account by P350.329 million and overstatement of Prior Period Adjustment account by the same amount.

1.1. Appendix B of IPSAS 1 – Presentation of Financial Statements summarizes one of the qualitative characteristic of financial reporting which is reliability. Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

1.2. Loans Receivable - PSALM has a year-end balance of P2.155 billion. This represents the unpaid balance of the total electric cooperatives (ECs) loans assumed by PSALM by virtue of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001, which was enacted on June 26, 2001. The assumed loans are to be paid for a period of 10 years without any interest. This has been dormant for six years since the last payment made in 2014.

1.3. Examination of the account Loans Receivable – PSALM disclosed a variance between NEA and PSALM confirmation/books.

1.4. As disclosed in NEA's Notes to Financial Statements, from June 27, 2001 until the issuance of Provisional Authority (PA) to each ECs to reduce rates beginning March 2003 to January 2004 by the Energy Regulatory Commission (ERC), NEA continued to accrue and collect from all ECs loan amortizations due as provided in Section 6, Rule 31 of the Implementing Rules and Regulations (IRR) of EPIRA which states that *"Nothing in this Rule however, shall mean that ECs are not obliged to pay the NEA with respect to all financial obligations assumed by PSALM, if the amortization cost component of the ECs' tariff is still collected from the consumers."* These collections were being contested by the PSALM and claimed that collections made before the ERC issuance of PA to reduced rate were part of the assumed loans.

1.5. The NEA's Notes to Financial Statements further disclosed that the dormant account started in 2014 due to PSALM's refusal to pay because of the differences in the interpretation of the effectivity/cut-off date of the assumption of loans. Since then, the NEA had explored all possible means of settlement with PSALM which ended up with the filing of arbitration case with the Office of the Government Corporate Counsel (OGCC) on November 22, 2018. To date, both parties are still waiting for the decision of the OGCC on the arbitration case filed.

1.6. In the result of confirmation letter sent to the PSALM, the Manager, Controllership Department did not indicate any amount Due to NEA but instead informed that there is a pending arbitration case between NEA and PSALM on the Loans Receivable from PSALM.

1.7. Nonetheless, as verified from its website, the PSALM's published Notes to Financial Statements showed an outstanding obligation to NEA amounting to P1,805,161,525 as of December 31, 2019. Relative disclosure states that "*PSALM has paid a total of P16.27 billion out of the P18.07 billion assumed rural electrification loans of ECs from NEA, other government agencies and Local Government Units (LGUs), leaving a total outstanding balance of P1.80 billion as of December 31, 2019. However, as to the assumed loans of ECs from NEA, it was eventually discovered that even before entering into the MOA (during the period June 27, 2001 up to March 3, 2003), NEA already collected P2.22 billion from ECs for the corresponding amortizations interest/surcharges of the loans assumed by PSALM. These collections effectively decreased the condoned REP amount. Thus, with the payment of P15.82 billion and P2.22 billion by PSALM and ECs, respectively, to NEA, the condoned Rural Electrification Program loan amount with NEA has been fully served."*

1.8. Based on the PSALM's disclosure in its Notes to Financial Statements which reflects an obligation to NEA amounting to P1,805,161,525, there is a variance of P350,328,694 between NEA and PSALMs books.

1.9. The existence of variance amounting to P350,328,694 between NEA and PSALMs books casts doubt on the accuracy, existence and reliability of account Loans Receivable - PSALM which is not in accordance with Appendix B of IPSAS 1 – Presentation of Financial Statements.

1.10. Paragraphs 67 and 68 of IPSAS 29 provides that:

> *"67. 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. xxx*
>
> *68. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a loss event and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognized. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:*
>
> *xxx"*

1.11. As discussed in paragraphs 2.2 and 2.5, the account had been dormant or non-moving for six years due to PSALM's refusal to pay because of the differences in the interpretation of the effectivity/cut-off date of the assumption of loans. The last payment made by PSALM was on January 3, 2014 and no further payment was collected from PSALM after the said date.

1.12. To reflect the net realizable value of the loan receivable considering the condition of the account and whether or not the agency will be able to collect the account in its entirety, NEA provided Impairment Loss in CY 2019 amounting to P350,328,694, however, this was recognized as prior period adjustment instead of current year, resulting in understatement of Impairment Loss amounting to P350,328,694 and overstatement of Prior Period Adjustment by the same amount contrary to Paragraph 67 of IPSAS 29 – Financial Instruments: Recognition and Measurement which provides that 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.

1.13. ***We recommended that Management:***

a. Follow up with the OGCC on the status of the arbitration case between NEA and PSALM after which, adjust in the books upon receipt of the decision from the OGCC upon confirmation by the Secretary of Justice; and

b. Recognize provision of Impairment Loss for Loans Receivable – PSALM considering the current condition at reporting period.

1.14. Management commented that they will follow up with the OGCC on the status of the arbitration case between NEA and PSALM and will adjust in the books upon receipt of the decision from the OGCC upon confirmation by the Secretary of Justice.

1.15. On the provision of Allowance for Impairment Loss, NEA maintained its position to recognize in NEA's books Impairment Loss amounting to P350,328,694 to Prior Period Adjustment.

1.16. As a rejoinder, we reiterate that provision of Impairment Loss for the Loans Receivable to PSALM should be recognized during the current period in accordance with Paragraph 67 of IPSAS 29 – Financial Instruments: Recognition and Measurement.

2. The validity of adjustment made on government equity from Prior Period Adjustments amounting to P20.336 million without supporting documents is doubtful and the corresponding credit to Capital Stock account was not reflected in the Statement of Changes in Net Assets/Equity which is not in accordance with Section 3.10 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities.

2.1. Prior Period Adjustments refer to transactions or adjustments affecting nominal accounts which are recorded in the current year but pertaining to previous years. The balance of the account is closed to the Retained Earnings as at year-end.

2.2. As of December 31, 2019, Prior Period Adjustments has a reported balance of P5,158,784,516 of which the amount of P20,336,383 on government equity was adjusted without supporting documents to validate the transaction. This is not in accordance with Section 3.10 of the Conceptual Framework for GPFR by Public Sector Entities which states that, "To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. It is attained when the depiction of the phenomena is complete, neutral, and free from material error".

2.3. Said adjustment was not reflected in the Statement of Changes in Net Assets/Equity which casts doubt on its validity, to wit:

Particulars	Amount
Capital Stock, per Subsidiary Ledger	4,792,900,464.84
Capital Stock, per Statement of Changes in Equity	4,772,564,082.03
Difference	**20,336,382.81**

2.4. Management informed that it is currently undertaking reconciliation of the account. The adjustment made pertains to reconciliation made for transactions from 1974-1984.

2.5. ***We recommended and Management agreed to revert the adjusting entry made without supporting documents and to ensure that all adjustments recorded in the books are properly supported.***

2.6 As of audit date, no reversal of the adjusting entry without supporting documents was made and the corresponding credit to Capital Stock account remained not reflected in the Statement of Changes in Net Assets/Equity.

3. Trust Liabilities - Others and Miscellaneous Payables accounts with year-end balance of P8.213 million and P36,549, respectively, cannot be relied upon due to the existence of abnormal or debit balances and accounts for adjustment totaling P0.560 million.

3.1. Trust Liabilities - Others and Miscellaneous Payables has a year-end balance of P8.213 million and P36,549, respectively.

3.2. Examination of the accounts disclosed the following:

a. Existence of negative balances totaling P188,624.71 in the Trust Liabilities – Others account.

Accounts with negative balances totaling P188,624.71 include employee share, NEA Provident Fund-Loans, Employees Multi-Purpose Cooperative (EMPC), SAMAKAREN-HMO and retired/separated employees tax adjustment. Details are as follows:

Particulars	No. of Accounts	Amount
Trust Liabilities - Others:		
Employee Share	33	(28,995.44)

Particulars	No. of Accounts	Amount
NEA Provident Fund - Loans	7	(9,356.11)
EMPC	4	(12,423.34)
SAMAKAREN-HMO	20	(61,646.96)
Retired/Separated Employees Tax Adjustment	26	(76,202.86)
Total	**91**	**(188,624.71)**

Negative balances normally indicate overpayment which needs to be addressed and adjustments should be made upon verification of the status of the accounts.

b. Inclusion of accounts For Adjustment amounting to P371,718.90 in the Miscellaneous Payables account.

Verification of the Subsidiary Ledgers (SLs) of Miscellaneous Payables disclosed that an account *For Adjustment* amounting to P371,718.90 remained in the books. It pertains to various credit memos to ECs for cash advances of EC personnel deducted from their claims. The account had been dormant for 15 years.

3.3. ***We recommended and Management agreed to analyze accounts with abnormal or debit balances and accounts for adjustment to determine errors committed and make the necessary adjustments.***

4. The accuracy, existence and valuation of Property, Plant and Equipment (PPE) with a carrying amount of P183.871 million as at year-end cannot be ascertained due to the following audit exceptions:

a. Variance between the balance per Accounting and Inventory Report in the amount of P4.677 million remained unreconciled as at year-end;

b. Various PPE items totaling P1.173 million were not depreciated since acquisition date, while PPE items with zero acquisition cost were depreciated amounting to P37,710.97;

c. Various PPE items were reported as shortage in the Inventory Report amounting to P0.801 million; and

d. Unserviceable properties totaling P19.815 million with carrying amount of P3.659 million remained undisposed and recorded under PPE as at year-end which is not in accordance with National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property.

4.1. PPE has a reported carrying amount of P183,871,425.77 as of December 31, 2019, broken down as follows:

Particulars	Cost	Accumulated Depreciation	Carrying Amount
Land and Land Improvements	36,996,775.17	695,329.83	36,301,445.34

Particulars	Cost	Accumulated Depreciation	Carrying Amount
Buildings	286,320,812.71	172,165,016.42	114,155,796.29
Office Equipment, Furniture and Fixtures	64,407,714.98	43,988,778.72	20,418,936.26
Transportation Equipment	33,036,084.11	26,861,445.01	6,174,639.10
Machineries and Equipment	16,605,924.42	9,874,900.24	6,731,024.18
Other Property and Equipment	344,098.00	254,513.40	89,584.60
Total	**437,711,409.39**	**253,839,983.62**	**183,871,425.77**

4.2. Examination of the PPE account disclosed the following:

a. Unreconciled variance between the balance per Accounting and Inventory Report

i. Section 4, Rule V of COA Circular No. 80-124 dated January 18, 1980 provides that “All inventory reports shall be prepared on the prescribed form (Gen. Form No. 41-A) and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. **The reports shall be properly reconciled with accounting and inventory records.**” (Emphasis Supplied)

ii. There was a net variance amounting to P4,677,161.47 between balances per Accounting of P75,540,587.40 and balances per Inventory Report of P70,863,425.93, detailed as follows:

Account Name	Balance		Variance
	Per Accounting	Inventory Report	
Office Equipment, Furniture and Fixtures			
Office Equipment	4,877,108.23	2,777,282.77	2,099,825.46
Furniture and Fixtures	11,314,521.75	11,307,708.29	6,813.46
IT Equipment and Software	48,216,085.00	48,628,103.65	(412,018.65)
Sub-total	64,407,714.98	62,713,094.71	1,694,620.27
Machineries and Equipment			
Communication Equipment	10,788,774.42	7,868,651.22	2,920,123.20
Sub-total	10,788,774..42	7,868,651.22	2,920,123.20
Other Property and Equipment			
Other Property, Plant and Equipment	344,098.00	281,680.00	62,418.00
Sub-total	344,098.00	281,680.00	62,418.00
Total	**75,540,587.40**	**70,863,425.93**	**4,677,161.47**

iii. The variances are attributable to the following:

- Twenty-one (21) PPE items totaling P3,408,729.87 were not included in the Inventory Report, hence, existence thereof could not be determined.

  On the other hand, given the property number of the above items, the accountable officers shall be identified and held liable for possible loss or damage therefrom as required under COA Circular No. 81-156 dated January 19, 1981 which provides that “Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or any person for whose acts he may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody (Sec. 105, P.D. 1445.)"

- Twenty-two (22) items of Furniture and Fixtures and IT Equipment and Software aggregating P1,234,699.30 were included in the Inventory Report but were not recorded in the Accounting records.

- Semi-expendable items totaling P685,410.69 were classified under PPE accounts.

  One hundred fifty-seven (157) items totaling P685,410.69 pertaining to semi-expendable properties were still recorded in the PPE accounts. Tangible items below the capitalization threshold of P15,000.00 should be accounted as semi-expendable property and should be reclassified to the affected appropriate semi-expendable inventory accounts (if not yet issued to end-user), expense accounts (if issued within the year), or accumulated surplus/(deficit)/retained earnings accounts (if issued in prior years) as required under paragraph 5.4 of COA Circular No. 2016-006 dated December 29, 2016.

- Of the 157 semi-expendable items, 56 items of IT Equipment and Software amounting to P213,789.14 are unserviceable.

- Unidentified Office Equipment amounting to P1,845,352.48 tagged as unserviceable in the Accounting records.

  Four items were with incomplete details in the Accounting records such as acquisition date, estimated useful life and responsibility center. These accounts are without any recorded accumulated depreciation. Also, the items were not reported in the Inventory Report, hence, existence thereof could not be determined.

- Unidentified variance amounting to P27,632.27.

  Unidentified variance of P27,632.27 was noted between the balance per Accounting records and the Inventory Report after consideration of the identified deficiencies discussed above.

iv. The non-reconciliation and adjustment of the noted discrepancies between Balance per Accounting records and Inventory Report affect the accuracy, existence and valuation of the year-end balance of the PPE account and its fair presentation in the financial statements.

b. PPE items totaling P1.173 million were not depreciated since acquisition date, while PPE items with zero acquisition cost were with depreciation amounting to P37,710.97.

i. International Public Sector Accounting Standards (IPSAS) 17 on PPE defines depreciation as the systematic allocation of the depreciable amount (cost of an asset, or other amount substituted for cost, less its residual value) of an asset over its useful life.

ii. Thirty-three (33) PPE items with total cost of P1,173,495.97 were not depreciated since its acquisition, which included 23 items that were already tagged as unserviceable amounting to P754,655.57.

iii. Non-depreciation of PPE affected the correct valuation and fair presentation in the financial statements as it overstated the PPE in the Statement of Financial Position, understated and overstated the Expense and Income, respectively, in the Statement of Financial Performance.

c. Fourteen (14) PPE items were reported as shortage in the Inventory Report amounting to P0.801 million.

i. Item II, C.3 of COA Circular No. 81-156 dated January 19, 1981 provides:

> *"Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or any person for whose acts he may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody. (Section 105, P.D. 1445.)"*

ii. Annex C of COA Circular No. 2020-001 dated January 28, 2020 – Updated Revised Chart of Accounts for Government Corporations (2019) provides items to be credited under Property, Plant and Equipment except for Land, Infrastructure Assets and Buildings and Structures as follows:

- Upon sale;
- Transfers;
- **Losses;**
- Destruction;
- Derecognition of the carrying amount of the replaced portion; and
- Other disposable and or adjustments

iii. There were 14 PPE items reported as shortage or those not found during the physical inventory count. Management should have identified the accountable officers concerned, locate the whereabouts of the properties and or require the accountable officers to prepare a Notice of Loss if the properties are proven lost in custody. Nevertheless, the accountable officers are considered liable and a receivable account shall be set-up to record the accountability of the accountable officers concerned simultaneous with the derecognition of the properties in the accounting books.

d. **Unserviceable properties totaling P19.815 million with carrying amount of P3.659 million remained undisposed and recorded under PPE as at year-end which is not in accordance with National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property.**

i. PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.

ii. NBC No. 425 on Manual on the Disposal of Government Property issued by the Department of Budget and Management provides that:

> *"Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. A systematic and timely disposal will yield benefits in terms of, among others, a higher appraised value and by enabling storage areas available for other purposes."*

iii. Unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP).

iv. Three hundred fifty-seven (357) unserviceable PPE items with acquisition dates from 1985 to 2015 totaling P19,815,439.07 with carrying amount of P3,658,919.72 were not yet disposed as at year-end, thus subject to further deterioration which may result in lower appraised values.

4.3. ***We recommended that Management:***

a. Require the Accountant to coordinate with the Property Officer to reconcile, identify, and trace the cause of discrepancies and make corresponding adjustment in the books to reflect the correct balances of the accounts;

b. Provide depreciation for PPE items with no depreciation to reflect the appropriate valuation and correct the carrying amounts. Require the Accountant to review and ensure the accuracy on the computation of depreciation;

c. Review PPE items with zero acquisition cost and reverse the recorded depreciation;

d. Prepare adjusting entries to reclassify the Semi-Expendable items to appropriate Inventory accounts;

e. Identify and submit the details of unidentified Office Equipment tagged as unserviceable;

f. Identify the accountable officers/employees concerned on the properties not found or declared as shortages in the Inventory Report and require them to submit an explanation on why the property was not found during the physical inventory count; If found to be lost in their custody, require the concerned accountable officer/employee to file for relief of property

accountability and submit the same to COA, otherwise held them liable for the loss;

g. ***Establish the existence and/or whereabouts of the properties that could not be located;***

h. ***Require the Property Unit to prepare an Inventory and Inspection Report of Unserviceable Property (IIRUP) for disposal; and***

i. ***Prioritize the disposal/sale of unserviceable PPE items to avoid its further deterioration.***

4.4. Management commented that the variances were sourced from the following accounts, namely: (a) Office Equipment, (b) Furniture and Fixtures, (c) IT Equipment, and (d) Communication Equipment. Management has evaluated the above-mentioned accounts, as follows:

a. Office Equipment

There is a variance of P2,099,825.46 in the Office Equipment account. Upon evaluation, it was found that the asset ICP Check Writer & Printer (Property No. 221-004-16-ECW-005) with acquisition cost of P39,000.00 was misclassified under the IT Equipment and Software account.

b. Furniture and Fixtures

There is a variance of P6,813.46 in the Furniture and Fixtures account. Moreover, it is also noted that a total of P2,065,530.00 were found in the Accounting books but not included in the Inventory Report. Upon further evaluation, the account includes monobloc chairs carried in the Accounting books in the amount of P162,530.00 which should have been classified as semi-expendable property. Thus, such amount should be adjusted.

c. IT Equipment and Software

The IT Equipment and Software account has a variance of P412,018.65. As explained in item (a) above, the account includes a misclassified asset in the amount of P39,000. Moreover, properties with total acquisition cost of P146,495.00 were found to be excluded in the Inventory Report.

It should also be noted that the Subsidiary Ledger account inadvertently included the asset HP Laser Jet Pro M404dw Printer (Property No. 223-003-0020-20-PRT-617) in the amount of P19,500.00 since it was acquired on January 7, 2020.

d. Communication Equipment

The Communication Equipment account has a variance of P2,920,123.20. However, upon evaluation, it was found that the asset LED Video Wall and Electrical Equipment Power Feeder Line (Property No. 229-001-027-19-LVW-

001) in the amount of P2,264,600.00 was inadvertently excluded in the Inventory Report, but its existence has been verified.

e. Other PPE

Upon verification, it was found that the variance of P62,418.00 consists of Foreclosed Property of Bolinao Electric Plant in the amount of P53,625.00, trolley in the amount of P2,807.00, and ladder in the amount of P5,986.00. Management shall reconcile these amounts, considering that the last two assets mentioned are semi-expendable properties.

In summary, the results of Management's evaluation of the above-mentioned accounts as it relates to the balance of the Inventory Report are as follows:

Account	Balance per Inventory Report	Adjustment	Total
Office Equipment	2,777,283	39,000	2,816,283
Furniture and Fixtures	11,307,708	44,000	11,351,708
IT Equipment and Software	46,628,104	107,495	46,735,599
Communication Equipment	7,868,651	2,264,600	10,133,251
Total	**68,581,746**	**2,455,095**	**71,036,841**

Further, Management shall make the proper adjustment for semi-expendable items totaling P685,410.69 and shall verify the existence and supporting documents of the assets recorded in the Accounting books with incomplete details.

For the unidentified variance amounting to P27,632.27, Management shall further verify the variance, taking into consideration the above-mentioned adjustments.

The Inventory Report included a total amount of P1,234,699.30 which was not included in the Accounting Books. This balance shall be subject for reconciliation. Thus, the total variance is as follows:

Inventory Report, balance	P 396,037,472.75
Adjustments	2,455,095.00
Adjusted Balance	**P 398,492,567.75**
Accounting Books, balance	P 400,714,634.22
Less: Semi-expendable items	685,410.69
Adjusted Balance	**P 400,029,223.53**
Adjusted Accounting Book Balance	P 400,029,223.53
Adjusted Inventory Balance	398,492,567.75
Variance	**P 1,536,655.78**

Management shall conduct further verification for the remaining balance of P1,536,655.78 as to the existence of the items, reconciliation between the Accounting books and the inventory report balances, and ascertain historical accounts based on documents on files.

Moreover, Management shall conduct further investigation with the end-users as to the whereabouts of the properties and gather/examine the documents on file that would help in finding the same. Necessary documents should be provided by the accountable officers, otherwise, they shall be held liable and accountable in accordance with the law.

Upon examination, Management found that P3,991,180.17 representing returned unserviceable PPE from years 2018-2019 were inspected. The Inventory and Inspection Report of Unserviceable Property (IIRUP) shall be prepared in accordance with existing rules on disposal. The remaining balance of P15,824,258.60 shall be subject for further inspection and verification.

4.5. As a rejoinder, the Audit Team take cognizance of Management's partial reconciliation of the variances noted. However, the Team is yet to verify the reconciliation made by Management pending their submission of its supporting documents.

Management's compliance with the other audit recommendations will be monitored to ensure its implementation.

5. The validity, accuracy and/or collectability of various Receivable accounts totaling P108.721 million as at year-end is doubtful since it has been dormant for seven to 15 years and included accounts with negative balances and for adjustment/reconciliation totaling P78.373 million. Further, various accounts were not properly classified in the Statement of Financial Position contrary to Annex B of COA Circular No. 2020-002.

5.1. Receivable accounts with year-end balance of P108.721 million consists of:

Account	Balance
Miscellaneous Receivables	50,966,053.86
Loans Receivable - Municipal System	4,586,174.27
Matured Loans Receivable - Others	13,098,087.25
Interest Receivable	40,071,248.69
Total	**108,721,564.07**

5.2. Audit of the account disclosed the following:

a. Accounts aggregating P76.439 million have been dormant for seven to 15 years.

Account	No. of Accounts	Dormant for	Amount
Miscellaneous Receivables	233	7 to 15 years	43,142,092.12
Loans Receivable - Municipal System	66	15 years	4,582,019.35
Matured Loans Receivable - Others	58	11 to 15 years	13,098,087.25
Interest Receivable	136	12 to 14 years	15,616,726.62
Total	**493**		**76,438,925.34**

i. Miscellaneous Receivables are broken down as follows:

Particulars	No. of Accounts	Dormant for	Amount
Receivables - Disallowances/Charges			
Employees/Individuals	75	15 years	484,075.12
Suppliers and Others	6	7 to 15 years	365,545.89
Sub-Total	*81*		*849,621.01*
Other Receivables			
Electric Cooperatives	29	12 to 15 years	29,442,419.03
Employees/Individuals	96	13 to 15 years	648,329.84
Suppliers and Others	27	13 to 15 years	12,201,722.24
Sub-Total	*152*		*42,292,471.11*
Total	**233**		**43,142,092.12**

Receivables - Disallowances/Charges

Management sent out various letters to the persons liable but were returned since the recipients have already moved out or the persons are no longer living at their last known addresses or deceased and Management was unable to secure death certificates online from the Philippines Statistics Authority.

The account also includes a disallowance pertaining to a Broadcasting Corporation in the amount of P328,850.00. Upon inquiry with NEA, the responsible officers are no longer connected and that the services contracted were fulfilled by the Broadcasting Corporation.

Other Receivables

NEA informed that as of December 31, 2019, there is an on-going collection effort wherein collection letters were sent to the debtors while additional collection letters will be sent out once necessary contact information of the debtors are gathered. In addition, NEA will be requesting for the write-off of components of this account once appropriate supporting documents are gathered as prescribed under COA Circular No. 2016-005.

As of December 31, 2019, there are four ECs who are active in paying their accounts. BOHECO I, MARELCO and TIELCO paid their account balances for 2019 while OMECO's last payment was made on September 24, 2018. On the other hand, QUEZELCO II has agreed to pay its loan balance of P520,123.09 in a five-year installment plan but has not made any payment as of year-end.

Employees/Individuals

The account represents receivables from former NEA employees who were legally terminated as of December 31, 2003 and were not re-employed under the new organizational structure of NEA, and other employees who are no longer connected with NEA. Likewise, the account included balances from abolished Regional Centers.

Suppliers and Others

Majority of the account balances pertain to a supplier amounting to P9,340,411.41 where NEA charged the storage, demurrage and other fees in connection with Strand's delivery of ungalvanized steel poles and zinc ingots. However, there was no indication that these charges were acknowledged by the supplier considering the absence of a provision in the contract that the supplier will pay for said charges, nor was there any provision for retention from payments and/or performance bond as required in all government contracts where NEA could withhold a certain amount to satisfy its claim.

ii. *Loans Receivable - Municipal System and Matured Loans Receivable - Others*

The accounts aggregating P17,680,106.60 which remained dormant for 11 to 15 years consisted of the following:

Particulars	No. of Accounts	No. of Years Dormant	Amount
Loans Receivable - Municipal System			
Municipalities	66	15 years	4,582,019.35
Total	**66**		**4,582,019.35**
Matured Loans Receivable - Others			
National Government Agencies			
School Reforestation Loans	34	15 years	6,397,738.75
Department of Public Works and Highway (DPWH)	1	11 years	3,997,262.60
Sub-Total	*35*		*10,395,001.35*
Others			
Private Franchise Loans	12	13 years	1,660,603.65
Social Program Loans	11	15 years	1,042,482.25
Sub-Total	*23*		*2,703,085.90*
Total	**58**		**13,098,087.25**
Grand Total	**124**		**17,680,106.60**

Management referred the list of borrowers to NEA Legal Services Office (LSO) for endorsement to the NEA Board for approval of request for write-off based on COA Circular No. 2016-005 if the bases would warrant; and for the legal assistance to obtain additional proof/documents that will support and ascertain that the settlement/collection are no longer possible on the borrowers that did not reply to the demand letters sent in 2011. However, no action was taken yet by the LSO and/or NEA Board on the request for write-off of the dormant accounts.

iii. Interest Receivables

Breakdown of the account is as follows:

Particulars	No. of Accounts	Dormant for	Amount
Meralco	11	14 years	1,382,600.49
System Taken Over	29	14 years	3,708,149.51

Particulars	No. of Accounts	Dormant for	Amount
Municipalities	48	12 to 14 years	5,805,625.60
School Reforestation	40	14 years	2,841,190.15
Private Franchise	8	14 years	1,879,160.87
Total	**136**		**15,616,726.62**

Management made several adjustments to the account. For the accounts of Meralco and Private Franchise, no adjustments were made as of audit date.

Nevertheless, the non-collection of these accounts may indicate poor performance on the part of the Management in collecting its receivables.

The validity, accuracy and/or collectability of the above-mentioned Receivables remained doubtful as at year-end.

b. Inclusion of accounts for adjustment and/or reconciliation totaling P1.237 million

i. There are Miscellaneous Receivables accounts for adjustment or reconciliation totaling P1,237,203.59 broken down as follows:

Account	No. of Accounts	Amount
Due from Officers & Employees	2	285,115.13
Receivables - Disallowances/Charges	1	900.00
Other Receivables	15	504,505.07
Subtotal	*18*	*790,520.20*
Interest Receivable	1	446,683.39
Total	**19**	**1,237,203.59**

ii. The Other Receivables amounting to P504,505.07 is net of an account with a negative balance of P10,141.90. These accounts remained non-moving for 4 to 15 years.

iii. An account for adjustment under Interest Receivable amounting to P446,683.39 remained in the books with the last adjustment made in December 2018.

iv. Analysis of the account is crucial to identify the specific SL/s to which the account pertains to and/or to close the account upon adjustment, when necessary.

c. Existence of accounts with abnormal or credit balances amounting to P0.697 million.

There are accounts with abnormal or credit balances totaling P697,355.43, thus, the correctness and accuracy of the Miscellaneous Receivable account could not be ascertained.

d. Interest Receivable account was not properly classified in the Statement of Financial Position contrary to Annex B of COA Circular No. 2020-002.

Interest Receivable account was erroneously presented under Other Receivables - Receivables from Various ECs instead of Loans and Receivables which is not in accordance with Annex B of COA Circular No. 2020-002 dated January 28, 2020 which prescribed the adoption of the Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs) starting CY 2019.

5.3. ***We recommended that Management:***

a. Compile all available records and documents pertaining to Receivable from Disallowances/Charges and continue to send demand letters. Determine the availability of other persons liable in lieu of payees or recipients whom (or who) are determined to be deceased and send them the corresponding demand letters;

b. For persons liable with active addresses, regularly send demand letters. For persons liable with outdated contact details, identify and seek assistance from their respective relatives to secure updated addresses, and then send the demand letters;

c. For services contracted with the Broadcasting Corporation amounting to P328,850.00, verify from the records whether the services were indeed rendered and such services did not result to any loss of government funds or property;

d. Follow-up the payment of OMECO and QUEZELCO II of their unpaid account balances based on their installment plan;

e. Offer/Set-up a repayment plan to non-paying ECs with outstanding miscellaneous receivables balance;

f. Update the database on contact details of the former NEA officials and employees with outstanding balances which will aid in the sending of demand letters;

g. Intensify collection efforts by regularly sending demand letters to the former NEA officials and employees with known addresses requiring them to immediately settle their accounts;

h. For NEA officials and employees without known addresses, identify and seek assistance from their respective relatives to secure updated addresses, and then send the demand letters;

i. Follow up the Legal Services Office on the determination whether the Loans Receivable - Municipal System and Matured Loans Receivable - Others accounts that have been dormant for 11 to 15 years could be written-off and if warranted, for endorsement to the NEA Board for its approval pursuant to COA Circular No. 2016-005;

j. ***Intensify collection efforts by regularly sending demand letters to the debtors requiring them to immediately settle their accounts;***

k. ***Determine whether the receivables that have been dormant for 10 years or more could be written-off and gather the necessary supporting documents for filing a request for authority to write-off pursuant to COA Circular No. 2016-005;***

l. ***Expedite the gathering of supporting documents relative to the request of authority to write-off as prescribed under COA Circular No. 2016-005;***

m. ***Analyse the accounts for adjustment and accounts with negative balances, and make necessary adjustments, where appropriate; and***

n. ***Present Interest Receivables under Loans and Receivables instead of Other Receivables as required by Annex B of COA Circular No. 2020-002.***

5.4. Management submitted the following comments:

a. Miscellaneous Receivables

Collection effort is on-going wherein NEA was able to collect a total of P8,419,874.56 from various debtors and there are ECs which pay their amount due in installment (monthly, semi-annual, and annual).

Additional collection letters will be sent out once necessary contact information of the debtors/creditors are gathered.

NEA will be requesting for the write-off of Other Receivable accounts once necessary supporting documents are gathered as prescribed under COA Circular No. 2016-005.

A follow-up letter has been sent to QUEZELCO II and OMECO dated July 8, 2020 and July 13, 2020, respectively.

b. Loans - Municipal System, Matured Loans Receivable - Others, Interest Receivable

The subject account pertains to unpaid loan balance extended during the early years of electrification program from 1960s to 1980s. With the creation of NEA under PD 269 and establishment of Electric Cooperatives (ECs), the franchise granted to municipal electric systems were cancelled in effect since their operations were either stopped or taken over by the ECs. As a result, these power plants and institutions were not able to continue the payment of their remaining financial obligations to NEA. Hence, this day many of the entities are no longer existing and LGUs and schools no longer recognized the loan.

The CFRS will provide again the LSO copy of updated Statement of Account for attachment to the Demand Letter for another round of demand letters to be sent to the debtors considering the COA recommendation to exert earnest and serious efforts in locating the debtors and demanding that the loans obtained be immediately settled.

CFRS will follow up and coordinate with the LSO for the write-off pursuant to COA Circular No. 2016-005 and for endorsement to the NEA Board for its approval. While the criteria for the number of years the accounts were inactive has been met, the other criteria (where settlement/ collectivity could no longer be ascertained) should be satisfied. In which case, it is imperative that demand letters be sent anew to the debtors.

The LSO will coordinate with FSD in gathering any and all available documents and records which are currently in its file and shall assist in filing before the COA the request for authority to write-off of the dormant accounts in accordance with COA Circular No. 2016-005.

The CFRS will analyze the account and appropriate adjustments will be made in NEA's books of accounts.

5.5. The compliance of the Team's recommendations will be monitored to ensure its implementation.

6. The provision of Allowance for Impairment Loss for Loans Receivables and Other Receivables accounts was unreliable due to existence of variance between the Financial Statement (FS) and Subsidiary Ledger (SL) balances totaling P77.091 million for each receivables, contrary to the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities.

6.1. The Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities provides that the qualitative characteristics of information included in the general purpose financial statements are the attributes that make the financial information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision-making purposes. The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. <u>To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. It is attained when the depiction of the phenomena is complete, neutral, and free from material error</u>. (underscoring supplied)

6.2. Starting March 31, 2005, NEA adopted the Electronic New Government Accounting System (e-NGAS) to ensure correctness, reliability, completeness and timeliness in recording government financial transactions and to generate financial reports in accordance with the policies and procedures of the NGAS.

6.3. Per e-NGAS, Allowance for Impairment Loss account has three SLs namely: Loans Receivable, Other Receivables and Merchandise Inventory.

6.4. Per Notes to Financial Statements, *Loans Receivable* includes receivables from Electric Cooperatives (ECs) for loan releases, Power Sector Assets and Liabilities Management Corporation (PSALM), Nueva Ecija II Electric Cooperative, Inc. (NEECO II) and Municipal Systems. *Other Receivables* includes receivables from ECs for subsidy releases, National Power Corporation (NPC) and Miscellaneous Receivables. *Merchandise Inventory* includes Inventory Held for Sale and Inventory Held for Consumption.

6.5. However, review of the Allowance for Impairment Loss account for CY 2019 disclosed that except for the SL for *Allowance for Impairment Loss - Merchandise Inventory*, the reported FS balances do not coincide with the SL balances of *Allowance for Impairment Loss - Loans Receivable* and *Allowance for Impairment Loss - Other Receivables* resulting in a variance of P77,091,351.00 computed as follows:

Particulars	Amount
Allowance for Impairment Loss - Loans Receivables	
FS Balance	144,932,701.00
SL Balance	67,841,350.00
Variance	**77,091,351.00**
Allowance for Impairment Loss - Other Receivables	
FS Balance	47,233,988.00
SL Balance	124,325,339.00
Variance	**(77,091,351.00)**

6.6. Despite the relative differences in the FS and SL balances for *Loans Receivable* and *Other Receivables*, the net effect in the FS as a whole, is zero which indicate only errors in posting in the respective SL accounts of Allowance for Impairment Loss. However, each account of Receivables should be provided with the correct Allowance for Impairment Loss.

6.7. Available data revealed that the variance existed for the past five years, as detailed below:

Particulars	2014	2015	2016	2017	2018
Allowance for Impairment Loss - Loans Receivables (SL 301-001)					
FS Balance	172,431,362.00	174,810,919.00	255,797,023.00	272,669,016.00	280,579,415.00
SL Balance	151,150,030.00	153,529,587.00	178,762,024.00	195,634,017.00	203,332,744.00
Variance	**21,281,332.00**	**21,281,332.00**	**77,034,999.00**	**77,034,999.00**	**77,246,671.00**
Allowance for Impairment Loss - Other Receivables (SL 301-002)					
FS Balance	55,455,854.00	55,474,003.00	51,371,880.00	48,648,100.00	47,751,616.00
SL Balance	76,737,186.00	76,755,335.00	128,406,879.00	125,683,099.00	124,786,615.00
Variance	**(21,281,332.00)**	**(21,281,332.00)**	**(77,034,999.00)**	**(77,034,999.00)**	**(77,034,999.00)**

6.8. From the Table above, the variance of P21,281,332.00 for 2014-2015 increased to P77,034,999.00 for 2016-2017 and the variance in 2018 amounting to P77,246,671.00 and P77,034,999.00, respectively, even resulted in a difference of P211,672.00.

6.9. According to the Accounting Division, the variance is a result of the process limitation of the e-NGAS and that they have been manually reporting the details and balance of the account to be presented in the FS using the previous year's balances as starting point and then added/deducted the net amount of transactions recorded during the year to come up with the ending balances. However, as at year-end, the balances remain unreconciled. Nevertheless, they committed to adjust the SL balances of the account to coincide with the amounts reported in the FS.

6.10. In addition, Paragraph 20 of International Public Sector Accounting Standards (IPSAS) 30 - Financial Instruments: Disclosures provides that:

"Allowance Account for Credit Losses

When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g., an allowance account used to record individual impairments or a similar account used to record collective impairment of assets) rather than directly reducing the carrying amount of the asset, ***it shall disclose a reconciliation of changes in that account during the period for each class of financial assets****."* (Emphasis Supplied)

6.11. Hence, in order to disclose reconciliation of changes in the account, it is to be stressed that a correct breakdown of the account should be available. This is likewise helpful in assessing whether the impairment loss recorded on the receivable accounts was appropriate and sufficient to reflect the true balance of the accounts. Further, the SL balances shall be detailed on a per debtor basis and ultimately coincide with the amounts reported in the FS.

6.12. ***We recommended that Management:***

a. Close the recorded SL balances of the Allowance for Impairment Loss account as of December 31, 2019;

b. Set-up the SL balances of the Allowance for Impairment Loss account as of December 31, 2019 based on the detailed breakdown on a per debtor basis;

c. Ascertain that the amounts reported in the FS reconcile with the SL balances of the account; and

d. Disclose the required information as prescribed by Paragraph 20 of IPSAS 30.

6.13. Management commented that General Ledger (GL) and Subsidiary Ledger (SL) balances of Allowance for Impairment Loss account generated from the e-NGAS as of July 6, 2020 has unreconciled balance of P35,444,280.01 as shown below.

Particulars	Amount
GL Balance	196,752,946.63
SL Balance	(161,308,666.62)
Unreconciled Balance	**35,444,280.01**

Reconciliation will be conducted in the affected GL and SL accounts to determine the cause of the variance and appropriate adjusting entries will be made in NEA's books of accounts.

6.14 As a rejoinder, there is no unreconciled balance between the GL and SL balance of the account if the transactions of the SL accounts are to be generated from inception or March 31, 2005. The variances between GL and SL balance only exist when the SL balance is generated as of a cut off period. Hence, an indication of process limitation of the e-NGAS.

Further, furnish the COA copy of the Journal Entry Voucher when adjustments have been effected.

7. **Miscellaneous Income with year-end balance of P17.524 million was overstated by P17.427 million due to inclusion of accounts pertaining to Collections of Registration Fees on Seminars/Trainings, Income from Rental of Space, Collection of Guarantee Fees, Collections of Accreditation Fees, Proceeds from Sale of Bid Documents, Collections of Legal Fees and Income from Printing and Publication which is not in accordance with the Revised Chart of Accounts for Government Corporations Updated 2019 and Sections 6.1 and 6.2 of Department of Budget and Management (DBM) Budget Circular (BC) No. 2004-5A dated October 7, 2005**.

7.1. The Revised Chart of Accounts (RCA) for Government Corporations (GC) Updated 2019 listed among others the following accounts classified as Service and Business Income:

- Service Income:
  - Legal Fees
  - Accreditation Fees
  - Other Service Income
- Business Income
  - Seminar/Training Fees
  - Rent/Lease Income
  - Income from Printing and Publication
  - Guarantee Income

7.2. Under the same RCA, Miscellaneous Income account is credited to recognize revenues/income and other receipts not elsewhere classified under any specific income account. This includes receipt of payment from liquidated damages, receipt of payment from penalty for late deposits or reporting of collections by authorized agent banks, receipt of payment from restitution for lost assets, cash overages, condoned loans, proceeds from sale of unserviceable expandable property, among others. xxx"

7.3. As of December 31, 2019, Miscellaneous Income has a balance of P17,523,982.13. This is presented under Non-Operating Income in the Statement of Financial Performance. The account includes the following:

Particulars	Amount
Collections of Registration Fees on Seminars/Trainings	13,477,231.80
Income from Rental of Space	1,974,668.60
Collection of Guarantee Fee	1,487,585.00
Collections of Accreditation Fees	225,000.00
Proceeds from Sale of Bid Documents	156,600.00
Collections of Legal Fees	100,050.00
Income from Printing and Publication	5,625.00
Total	**17,426,760.40**

7.4. From the description above, Miscellaneous Income no longer includes the above-named Income accounts.

7.5. Except for Proceeds from Sale of Bid Documents which is accounted as trust receipts for payment of honoraria and overtime pay to employees involved in the procurement pursuant to Sections 6.1 and 6.2 of Department of Budget and Management (DBM) Budget Circular (BC) No. 2004-5A dated October 7, 2005, the classification and presentation of the above accounts to Miscellaneous Income under Other-Operating Income instead of the accounts listed in paragraph 8.1 classified under Service and Business Income is not in accordance with the RCA for GC (Updated 2019), thus, Miscellaneous Income account is overstated by P17,426,760.40.

7.6. On the other hand, the honoraria paid to the NEA personnel involved in procurement totaling P173,500.00 had exceeded by P16,900.00 the collections from sale of bid documents of P156,600.00. This should be sourced from the savings from DBM-approved Corporate Operating Budget and not to be charged against the General Fund of the Administration pursuant to Section 3.1 of DBM BC No. 2007-3 which states that the amount necessary for payment of honoraria and overtime pay authorized under BC No. 2004-5A dated October 7, 2005 shall be sourced from collections from successfully completed procurement projects, limited, however, to activities prior to awarding of contracts to winning bidders and savings from the DBM-approved corporate operating budgets in case of the GOCCs.

7.7. ***We recommended that Management effect the following proposed adjusting/reclassifying journal entry to reflect the correct balance of the affected accounts:***

Account Title	***Dr.***	***Cr.***
Miscellaneous Income	***17,426,760.30***	
Honoraria		***156,600.00***
Legal Fees		***100,050.00***
Other Service Income		***225,000.00***
Seminar/Training Fees		***13,477,231.80***
Rent/Lease Income		***1,974,668.60***
Guarantee Income		***1,487,585.00***
Income from Printing and Publication		***5,624.90***

7.8. Management commented that NEA’s core function is to provide legal, institutional, financial and technical assistance to Electric Cooperatives (ECs). However, NEA’s income is derived mainly from interest and service income earned from loans and subsidy releases to ECs.

Aside from this, NEA also has earnings from non-operating income. Non-operating income are gains or losses from sources not related to the typical activities of NEA. Collection of registration fees from seminars and trainings, income from space rental, receipt of guarantee, accreditation fees and legal fees, and income from sale of RE Chronicles are considered as income derived from activities outside of NEA’s primary source of income. Receipts from these activities are not expected to occur regularly or frequently, thereby, categorized and considered as non-operating income.

Based on the Revised Chart of Accounts (RCA), Legal Fees, Other Service Income, Seminar/Training Expenses, Rent/Lease Income, Guarantee Income and Income from Printing and Publication fall under the Service and Business Income account group. These accounts pertain to income derived from the company's main operations. Therefore, NEA's inclusion of these specific accounts in the miscellaneous income account is accurate and reclassifying income that is not directly related to NEA's main business misrepresent the presentation of NEA's operations in the Statement of Financial Performance.

Starting CY 2020, NEA will strictly adhere with the existing rules and regulations specified in Section 3.1 of DBM Budget Circular No. 2007-3 pertaining to funding source and proper accounting for the payment of honoraria of NEA personnel involved in the procurement process.

7.9. As a rejoinder, while we acknowledged that NEA's main source of income are only interest earned from loan releases and service income from subsidy releases to electric cooperatives categorized under Service and Business Income, it is also imperative to recognize the objectives of the adoption of the RCA for GCs as explicitly provided under Sections 1.3 and 1.4 of COA Circular No. 2015-010 dated December 1, 2015, which is to enhance the accountability and transparency of the financial reports, ensure comparability of financial information and align the entities' reportorial requirements with those of COA and other oversight bodies including compliance with the standards issued by international accounting standard-setting bodies.

The above rationale was likewise emphasized in the adoption of the 2019 Updated RCA for GCs under Section 1.1 of COA Circular No. 2020-002 dated January 28, 2020 which shall be applied for financial reporting starting 2019.

Hence, the RCA for GCs shall be stringently followed by the entities concerned to achieve uniformity and consistency in financial reporting particularly in the COA's consolidation of financial data of all government corporations to be reported in the Annual Financial Report (AFR) and Budget and Financial Accountability Report (BFAR) as reportorial requirements to the National Government.

The said specific transactions subject of reclassification from Miscellaneous Income account to the recommended accounts were noted however, as recurring regularly and frequently except for collection of guarantee fee and income from sale of RE Chronicle during the year under audit.

Except for Income from Rental of Space, the above accounts/transactions not only are related to the Administration's business operations but are now considered under the category Service or Business Income as the case may be following the updated 2019 RCA for GCs. It is worth mentioning that even Interest Income Earned from Deposits and Dividend Income which are not a major source of corporation's income that used to be classified as Non-Operating Income are now classified under the updated 2019 RCA for GCs as Business Income.

In addition, the RCA for GCs shall be applied regardless of the accounting system employed by the government agency. If the accounting system's Chart of Accounts is not synchronized with the RCA for GCs, manual conversion then becomes necessary to achieve uniform and consistent financial reporting.

8. The accuracy and reliability of Other Assets amounting to P14.434 million is doubtful due to existence of accounts for adjustment and reconciliation and dormant accounts totaling P4.909 million. Likewise, no Allowance for Impairment Loss was provided for the dormant account contrary to Paragraph 68 of IPSAS 29 – Financial Instruments: Recognition and Measurement.

8.1. As of December 31, 2019, the balance of Other Assets totaled P14,434,601.43, detailed as follows:

Account	Balance
Idle Land- Tandang Sora	9,500,000.00
Deferred Charges	2,585,207.83
Claims Receivables- NEA's Bail-Out Program	1,285,593.60
Investment in Gasifier and Equipment Manufacturing Corp. (GEMCOR) and BLISS-Livelihood	1,038,000.00
Foreclosed Land	25,800.00
Total	**14,434,601.43**

8.2. Review of the account revealed the following:

a. The account included for adjustment and reconciliation totaling P2.585 million.

i. Other Assets included accounts for adjustment and reconciliation which had been dormant for 14 to 15 years totaling P2,585,207.83, broken down as follows:

Description	Since	No. of Years Dormant	Amount
Deferred Charges - Regional Centers (For Recon)	5/31/2006	14	198,298.52
Deferred Charges - Regional Centers	6/30/2005	15	609,870.58
Deposit - Administrative - For Adjustment	2/17/2006	14	1,757,038.73
GSIS General Insurance Fund- For Adjustment	3/31/2005	15	20,000.00
Total			**2,585,207.83**

- *Deferred Charges - Regional Centers (For Reconciliation)* amounting to P198,298.52 pertain to the remaining unreconciled balances from NEA's Regional Electrification Centers (RECs) which were abolished in 2003. Reconciliation was initiated by NEA in 2017. However, NEA was not able to secure copies of the RECs' bank transaction history and the various documents gathered were insufficient to support the adjustment of the accounts.

- *Deferred* Charges - *Regional Centers* amounting to P609,870.58 includes miscellaneous deposits to PLDT, MERALCO and IFB incidental costs wherein the availability and existence of such deposits could not be ascertained.

- The composition and details of *Deferred Charges - Deposit Administrative and GSIS General Insurance Fund both for adjustment* amounting to P1,757,038.73 and P20,000.00, respectively, could not be determined.

ii. NEA committed to gather all available documents to reconcile the above-mentioned accounts.

b. Existence of dormant accounts totaling P2.324 million.

i. There are accounts totaling P2,323,593.60 that had been non-moving for 15 years and the collectability of which is remote as follows:

- *Claims Receivables* totaling P1,285,593.60 are NEA's bail-out program which has a cut-off period of December 31, 1989 and only those receivables included at that time are to be written off. However, these accounts were not written off and still outstanding as of audit date wherein the probability of collection is already remote.

- *Other Investment in BLISS-Livelihood* - represents 10 percent equity amounting to P100,000.00. In December 1989, all BLISS projects, rights and interests including receivables and investments were assigned to the Home Guaranty Corporation (HGC). Some of the projects turned over to HGC were already conveyed to Local Government Units, Bagong Lipunan Community Association and some were written off due to damages caused by the elements or natural disasters.

- *Other Investment in GEMCOR* amounting to P938,000.00 consists of 938 shares with P1,000.00 par value. GEMCOR was foreclosed per Memorandum Circular No. 42-A dated December 10, 1987 in line with the policy of the Government to expedite the privatization/foreclosure of non-performing assets and those that are not essential or necessary for the Government to retain.

c. No Allowance for Impairment Loss was provided for the dormant account contrary to Paragraph 68 of IPSAS 29.

i. Paragraphs 67 and 68 of IPSAS 29 on Financial Instruments: Recognition and Measurement provide:

> *"67. 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. Xxx.*

68. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a loss event and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Xxx.

ii. No provision of Allowance for Impairment Loss was recorded on the Other Asset accounts which remained non-moving or dormant for 15 years since 2005, which is contrary to Paragraph 68 of IPSAS 29. It is evident that collection of Claims Receivables is uncertain and therefore indicates impairment thereof and likewise for Other Investments. Hence, provision of Allowance for Impairment Loss is necessary to reflect the true balance of the accounts.

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

a. Analyse the accounts for adjustment and reconciliation, and make necessary adjustments, where appropriate;

b. Gather the necessary documents and request for the write-off of the dormant accounts in accordance with COA Circular No. 2016-005, particularly for the Claims Receivables and Other Investment accounts that have been dormant for 15 years; and

c. Provide adequate Allowance for Impairment of the dormant accounts in compliance with IPSAS 29.

8.4. Management submitted the following comments:

a. Reconciliation will be conducted and appropriate adjusting journal entries will be made in NEA's books of accounts.

b. For the Claims Receivables and Other Investment, request for write-off will be made upon availability of the necessary documents as prescribed under COA Circular No. 2016-005.

c. For recommendation c, allowance for impairment loss shall be provided.

8.5. The compliance of the Team's recommendation will be monitored to ensure its implementation.

9. The existence and reliability of Inventories account with year-end balance of P2.668 million cannot be ascertained due to inclusion of damaged/burned items and accounts with abnormal or credit balances amounting to P5.107 million and P12.223 million, respectively. Further, Spare Parts Inventory amounting to P273,753 was not classified to Other Supplies and Materials Inventory, the appropriate account as described under COA Circular No. 2020-002 - Updated Revised Chart of Accounts for Government Corporations (2019).

9.1. Per NEA's Statement of Financial Position as of December 31, 2019, Inventories showed a balance of P2,667,814.26, broken down as follows:

Account	Amount
Inventory Held for Sale	
Merchandise Inventory for Sale	5,107,815.91
Merchandise Inventory in Transit	(231,437.13)
Sub-Total	*4,876,378.78*
Inventory Held for Consumption	
Office Supplies Inventory	2,206,322.62
Other Supplies Inventory	187,738.51
Spare Parts Inventory	273,753.13
Sub-Total	*2,667,814.26*
Total	**7,544,193.04**
Less: Allowance for Impairment Loss	(4,876,378.78)
Net Realizable Value	**2,667,814.26**

9.2. Review of the account disclosed the following:

a. Merchandise Inventory for Sale included damaged/burned items totaling P5,107,815.91 not yet dropped from the books.

i. Paragraph 38 of IPSAS 12 - Inventories provides that "the cost of inventories may not be recoverable if those inventories are damaged, if they have been wholly or partially obsolete, or if their selling prices have declined. The practice of writing down inventories down below cost to net realizable value is consistent with the view that assets are not to be carried in excess of the future economic benefits or service potential expected to be realized from their sale, exchange, distribution, or use."

ii. Merchandise Inventory for Sale account was the subject of the Request for Relief of Accountability for damaged/burned Inventory in NUVELCO amounting to P5,211,785.96. In 2019, an entry was made to the account to adjust payment to contractor taken as additional bank charges in 2014 amounting to P122,800.23 thereby reducing the balance to P5,107,815.91.

iii. In order to facilitate the Request for Relief from Accountability, documents are required to be submitted as contained in COA Memorandum No. 92-751 dated February 24, 1992. However, as of December 31, 2019, the following documents were still lacking, to wit:

- Satisfactory explanation (in writing) or reason/s of delay in filing the notice of loss and/or request for relief;
- Property Acknowledgement Receipt (PAR)/ Memorandum Receipts (MR) covering the properties subject of the request, if any;
- Report of Damaged or Destroyed Property; and
- Fire Insurance Policy, if any.

iv. The absence of the complete documentation to support the request resulted in a delay in the process of dropping of the Inventory items from the books.

b. **Merchandise Inventory in Transit with negative balances totaling P12.223 million.**

i. Subsidiary ledgers of the Merchandise Inventory in Transit showed negative balances amounting to P12,223,524.63 which rendered the reliability of the account doubtful.

ii. NEA requested for write-off in 2007 and reiterated in 2010 but was later denied in 2013 thru COA Decision No. 2013-247 dated December 23, 2013 which stated that the request for dropping of the accounts should be taken individually and not on the net amount after offsetting the negative and positive balances and required NEA to continue to reconcile the account.

c. **Spare Parts Inventory was erroneously presented as another line item in the Notes to Financial Statements**

Spare Parts Inventory with year-end balance of P273,753.13 was erroneously presented as another line item in the Notes to Financial Statements instead of as part of Other Supplies and Materials Inventory which is not in accordance with the Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs) starting CY 2019.

9.3. ***We recommended that Management:***

a. ***Compile all documents required to support the Request for Relief of Accountability as guided by COA Memorandum No. 92-751, and resubmit/file the Request for Relief of Accountability with the Commission Proper through the Resident Auditor and the Cluster Director;***

b. ***Analyse the Merchandise Inventory in Transit accounts with negative balances, and make necessary adjustments, where appropriate, taking into consideration COA Decision No. 2013-247 and its recommendation to use Invitation for Bid (IFB) 74 as a model/tool in reconciling all other IFB accounts; and***

c. ***Present the Spare Parts Inventory as part of Other Supplies and Materials Inventory in accordance with Annex B of COA Circular No. 2020-02.***

9.4. Management submitted the following comments:

a. Submitted documents to COA on September 20, 2010 to support its request for relief of accountability, to wit:

- Request for Relief from Accountability dated September 14, 2010.
- Letter from General Manager Patrick A. Flores of NUVELCO furnishing NEA a copy of the Police Report relative to the fire incident that razed NUVELCO's staging area.
- Affidavits of Mr. Socrates T. Enriquez and Engr. Bienvenido S. Bonifacio, both NEA employees, on the facts and circumstances surrounding the said loss.
- List of damaged/burnt items stored in NUVELCO staging area as of November 2001 amounting to P5,211,785.96.

- NBI Certification certifying that the investigation conducted by NBI Agents on the fire incident yielded no positive result that would negate the earlier finding of the Local Bureau of Fire Protection that the same was due to faulty electrical wiring.
- Pictures of burned NUVELCO staging area.
- Background of Regional Staging Area and the Flow of Activities on EM.

Certification from the Bureau of Fire Protection issued on July 17, 2019 and Explanation/Reasons of Delay in the Request for Relief from Accountability was submitted.

There is no Property Acknowledgment Receipt issued by NEA to the Staging Area, instead a Memorandum of Agreement (MOA) was entered into by NEA and consignee EC. However, copies of MOA can no longer be produced or located. Also, there is no fire insurance policy.

b. The account for equipment and materials stored in NUVELCO Staging Area was closed under JEV No. 2010-05-02915 dated May 31, 2010. But per COA's AOM No. 10-016 dated August 23, 2010, Management reversed the entry under JEV No. 2011-02-002770. The actual balance of Materials Inventory on hand is zero since the equipment and materials were already destroyed during the fire incident. A request for relief of accountability dated July 8, 2020 was prepared.

c. After several adjustments made to EMIT account, the balance as of December 31, 2019 is (P231,437.13) which represents forex adjustments. Management will continue reconciling the said account.

d. In compliance with recommendation (c), the Financial Services and Accounting Division (FSAD) prepared JEV No. 2020-06-002134 dated June 22, 2020 to adjust the negative balances and for adjustment accounts.

e. The balance of Spare Parts Inventory as of December 31, 2019 will be reconciled and reclassified to Other Supplies and Materials Inventory.

f. Moreover, starting CY 2020, FSAD will record receipt and issuance of spare parts under Other Supplies and Materials Inventory in accordance with COA Circular No. 2020-002 - Updated Revised Chart of Accounts (RCA) for Government Corporations (2019).

9.5. As a rejoinder, the Audit Team acknowledged the receipt of NEA's resubmission of its Request for Relief from Accountability in which verification of the completeness of the documentary requirements enumerated under COA Memorandum No. 92-751 and evaluation of the same have yet to be undertaken for endorsement to the Commission Proper through the Cluster Director.

10. Advance or excess payments of interest on loans by Electric Cooperatives (ECs) totaling P2.653 million were recognized as credits to Interest Receivable instead of Unearned Interest Income contrary to Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs) starting CY 2019.

10.1. Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs) starting CY 2019 describes Unearned Interest Income under Liabilities as follows:

> *"This account is credited to recognize interest income that has been collected in advance but not yet earned. This account is debited when revenue is earned, and/or adjustments."*

10.2. This is a reiteration of prior year's audit observation wherein we recommended that Management: (a) make the necessary adjustments in the books to reflect the correct balance of the affected accounts; and (b) record advance payments of principal to Other Deferred Credits and advance payments on interest to Other Unearned Revenue for proper presentation in the financial statements pursuant to COA Circular No. 2015-010.

10.3. Management committed to make necessary adjustments and record all advance payments under Other Deferred Credits to minimize and simplify monitoring of accounts. Proper charging to principal and interest will be recognized when the amortization payment becomes due or upon application thereof.

10.4. However, in CY 2019 various advance/excess payment of interest from 11 ECs totaling P2,652,540.85 were credited to Interest Receivable instead of Unearned Interest Income contrary to Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs) starting CY 2019.

10.5. The practice of recording advance or excess payment of interest as credits to Interest Receivable resulted in negative balances of the SL accounts and understated both Interest Receivable and Unearned Interest Income by P2,652,540.85.

10.6. ***We reiterated our recommendation that Management record advance or excess payments on interest on loans to Unearned Interest Income in accordance with the Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs) starting CY 2019.***

10.7. Management commented that in compliance to the previous year's audit observation, advance payments are reclassified to Other Deferred Credits to minimize and simplify monitoring of accounts. Proper charging to principal and interest is recognized when the amortization becomes due or upon application thereof. Determination of the advance payment as to amounts of principal and interest is hard to identify. It is also being treated in the ECs books of account as prepayments or direct deductions to total amount loaned to NEA.

The adoption of the Updated Revised Chart of Accounts for Government Corporations (2019) prescribed under COA Circular No. 2020-02 is not aligned with the accounting system (e-NGAS) being used by the Agency. Hence, it is manually done in the preparation of the Financial Report.

10.8. As a rejoinder, the P2.653 million advance/excess payments pertains to interest on loans only and should be reported as Unearned Interest Income in compliance with the Updated Revised Chart of Accounts for Government Corporations (2019). However, since the e-NGAS is not yet aligned with the Updated Revised Chart of

Accounts for Government Corporations, we agreed that the presentation of advance/excess payments of interest in the Financial Report should be manually done.

During the exit conference, the Accounting Division agreed to reclassify payments of advance interest on loans to Unearned Interest Income. We requested Management to provide COA copy of the Journal Entry Voucher once reclassification is made.

B. OTHER AUDIT OBSERVATIONS

11. Payments of salaries, Collective Negotiation Agreement (CNA) incentives, longevity pay and terminal leave benefits in the amount of P10.650 million were not ascertained due to the lack of supporting documents required under COA Circular No. 2012-001.

11.1. COA Circular No. 2012-001 dated June 14, 2012 enumerates among others the documentary requirements on the payment of the following:

Particulars	Section	Documentary Requirements
First Salary	4.1.1	• Certified true copy of duly approved Appointment xxx *Additional requirements for transferees:* • Clearance from money, property and legal accountabilities from the previous office xxx
Salary Differentials	4.1.4	• Notice of Salary Adjustment (NOSA) in case of salary increase
CNA Incentive	5.1.6	• xxx Proof that the planned programs/ activities/ projects have been implemented and completed in accordance with targets for the year
Longevity Pay	5.9	• Service Record • Certification issued by the Personnel Officer that the claimant has not incurred more than 15 days of vacation leave without pay

Particulars	Section	Documentary Requirements
Terminal Leave Benefits		• xxx Affidavit of applicant that there is no pending investigation or prosecution against him/her (RA No. 3019) • In case of resignation, employee's letter of resignation duly accepted by the Head of the Agency

11.2. In the application of the fourth tranche of Salary Standardization Law (SSL) 4 for CY 2019, Section 9 of Governance Commission for GOCCs (GCG) Memorandum Circular (MC) No. 9 likewise provides that in the adjustment of salaries of the officials and employees, the Human Resource Management Officer (HRMO)/ Admin Officer (AO) or its equivalent shall prepare the Notices of Salary Adjustments for incumbent officers/employees for the approval by the governing Board.

11.3. While in the grant of CY 2019 CNA incentive, Department of Budget and Management (DBM) Budget Circular (BC) No. 2019-5 dated November 7, 2019 prescribed the conditions for the grant of CNA incentive, one of which is the accomplishment of targets where the agency should have accomplished by September 30, 2019, at least 70 percent of all the targets under the respective Performance Scorecard as agreed upon between the GCG and the agency pursuant to GCG Memo Circular No. 2017-2 dated June 30, 2017.

11.4. The following transactions totaling P10,649,561.29 were found to be lacking the required supporting documents enumerated under the above-mentioned Circular, to wit:

Particulars	Date	Reference/ Check No.	Amount	Lacking Documents
First Salary	11/26/19	531801	198,885.58	• Certified copy of Appointment • Clearance from money, property and legal accountabilities from the previous office
Salary Differentials	3/29/19	ADA-PVB-1000	1,659,361.12	• NOSAs
CNA Incentive	12/11/19	ADA-PVB-3552	6,879,166.72	• Proof that the planned programs/ activities/ projects have been implemented and completed in accordance with targets for the year

Particulars	Date	Reference/ Check No.	Amount	Lacking Documents
Longevity Pay	3/28/19	ADA-PVB-980	870,000.00	• Service Record • Certification issued by the Personnel Officer that the claimant has not incurred more than 15 days of vacation leave without pay
Terminal Leave Benefits	Various Dates	14 Checks	1,042,147.87	• Affidavit of applicant that there is no pending investigation or prosecution against him/her (RA No. 3019)
Total			**10,649,561.29**	

11.5. ***We recommended and Management agreed that henceforth, all disbursements will be supported with the documents enumerated under COA Circular No. 2012-001 and will also submit the deficient documents to enable the Audit Team to determine the validity of payments made.***

12. Deficiencies were noted in the grant, liquidation and recording of subsidies released to the Electric Cooperatives (ECs) covering the period from CYs 2009 to 2019 for the implementation of Sitio Electrification Program (SEP), Barangay Line Enhancement Program (BLEP), Housewiring Program, Metering Program, Installation of Transformers, Calamity Grants, Marawi Seige and Armed Conflict projects, which were not in conformity with the Memorandum of Agreement (MOA) between NEA and Electric Cooperatives (ECs), NEA Memorandum Nos. 2018-001 and 2019-001 and Section 4.5.6 of COA Circular No. 2007-001, indicating poor monitoring and management of the subsidy fund, to wit:

a. Subsidy balance amounting to P740.912 million covering the period from CYs 2009 to 2018 remained unliquidated by the ECs as of December 31, 2019;

b. Of the P1.013 billion released in CY 2018, only P606.652 million or 60 percent was liquidated, leaving P406.479 million unliquidated as of December 31, 2019;

c. The unliquidated amount of P279.605 million for completed projects which have been outstanding for more than three years was not returned to NEA by the ECs;

d. Subsidy balance totaling P50.136 million for the completed projects was not returned to NEA to facilitate the closing of NEA and ECs books;

e. **Simultaneous and subsequent releases of subsidy funds aggregating P1.082 billion to 44 ECs despite having unliquidated balances;**

f. **Adjustments of P1.653 million reported in the NEA's Status of Fund Transfer as of December 31, 2019 were not recorded in the books which could have reduced the unliquidated balance; and**

g. **Unexpended balance aggregating P180.121 million for projects audited in CYs 2014 to 2018 remained unreturned to NEA by the ECs.**

12.1 Section 4.5.6 of COA Circular No. 2007-001 on the Procedure for the Availment, Release and Utilization of Funds provides:

> *"No NGO/PO shall be a recipient of funds where any of the provisions of this Circular and the MOA entered into with the GO has not been complied with, in any previous undertaking with funds allocated from the GO."*

12.2 NEA Memorandum (NM) Nos. 2018-001 and 2019-001 on the Policy Guidelines on the Implementation of SEP (Phase 2-Grid Connection) and Strategized Total Electrification Program (STEP), respectively, provides:

> *NM No. 2018-001*
>
> *"6. The succeeding RRCF for projects with the same classification shall be processed only if the first/previous projects funded by subsidy were completed and subsidy funds were fully liquidated".*
>
> *NM No. 2019-001*
>
> *"3. The RRCF for succeeding projects shall be processed only if the previous projects funded by subsidy were completed and subsidy funds were fully liquidated".*

12.3 Sections 4 and 7 of the MOA between NEA and ECs states:

> *Section 4 - "xxx A final report on the project(s) to include Accounting of Funds, Status Report of NEA subsidy fund releases and Certificate of Final Inspection and Acceptance and other documents provided in Schedule B must be submitted by the Recipient to NEA within three (3) months from completion of the project which shall be the basis for liquidation. Also, the Recipient shall conduct close-out of project within three (3) months after NEA's final inspection and acceptance to facilitate the take-up of completed projects in the EC books."*
>
> Section 7 - *"It is agreed that all amount in excess of total disbursements and cost of unimplemented project including interest earned thereon shall be returned/remitted to NEA or the Recipient may request written authority from NEA to use the savings/balance as well as interest accruing to the fund for activities allied to the project*, *within one (1) month after final inspection of NEA."*

12.4 NEA releases subsidy fund to the ECs upon approval of the evaluated project cost for the implementation of various rural electrification/rehabilitation projects. The release of subsidy fund is debited to account Due from NGOs/POs subject to liquidation upon completion of the projects. The ECs have six months to implement the project from receipt of the subsidy fund and another six months is given to liquidate the same including the close-out of the project or a maximum of 12 months or one year from receipt of the subsidy fund. Upon submission of the documentary requirements for liquidation, the account Due from NGOs/POs is credited.

12.5 Audit of the subsidy fund released to ECs from 2009-2019 disclosed the following:

a. Subsidy balance amounting to P740.912 million covering the period from CYs 2009 to 2018 remained unliquidated by the ECs as of December 31, 2019 which was not in conformity with Section 4 of the MOA between NEA and the ECs.

i. The account Due from NGOs/POs has a reported year-end balance of P2,280,820,543.94 representing subsidy releases to EC's for the implementation of SEP, BLEP, Housewiring Program, Metering Program, Installation of Transformers in public schools and various Calamity Grants for the rehabilitation and restoration of distribution lines brought by Typhoon Yolanda and other typhoons, earthquakes, Marawi Seige and Armed Conflict funded from various sources of the National Government (NG). Of this amount, P740,911,879.39 is already due/overdue for liquidation detailed as follows:

Source Fund	No. of ECs	Balance as of Dec. 31, 2019	Due for Liquidation
Regular Subsidy - 2008 - 2009	1	8,810,118.36	8,810,118.36
SEP/BLEP - 2011	13	53,358,727.14	7,495,150.73
SEP/BLEP - 2012	18	75,363,512.19	18,906,500.95
SEP/BLEP - 2013	29	305,659,891.93	79,507,616.19
SEP/BLEP - 2014	34	216,412,121.15	155,790,685.68
SEP/BLEP - 2015	22	127,122,764.24	93,599,551.52
SEP/BLEP - 2016	9	89,468,499.33	2,816,994.88
SEP/BLEP - 2017	29	112,629,266.68	59,383,253.18
SEP/BLEP - 2018	53	253,705,020.61	172,882,394.50
SEP/BLEP - 2019	58	510,672,446.98	0.00
Office of the Presidential Adviser on the Peace Process (OPAPP)	1	25,112,408.01	25,112,408.01
OPAPP PAMANA - 2013	9	84,978,594.48	24,339,776.48
Yolanda Rehabilitation and Restoration Program (YRRP)	1	29,826,374.57	0.00
ARMED Conflict	1	24,459,323.98	24,459,323.98
Metering Program (LASURECO)	1	7,659,490.44	7,659,490.44
NHA –Yolanda	26	110,613,272.37	39,215,919.39
Typhoon Urduja, Vinta & Niña (Quick Response Fund)	3	26,352,881.09	20,932,695.10
NDRMM (Marawi Siege) - 2018	2	192,482,938.42	0.00
Typhoon Ompong	2	26,132,891.97	0.00
Total		**2,280,820,543.94**	**740,911,879.39**

ii. The total maximum time allowed for the liquidation of a certain electrification project is 12 months from the EC's initial receipt of subsidy fund, hence, all subsidy released for more than one year are already due for liquidation. Table below presents the details of unliquidated balance per source fund.

Source Fund	Balance as of 12.31.19 (a)	Less than 1 year (b)	More than 1 year (c)	More than 2 years (d)	More than 3 years (e)	Total Amount Due for Liquidation (f= c+d+e)
Regular Subsidy	8,810,118.36	0.00	0.00	0.00	8,810,118.36	8,810,118.36
SEP/BLEP- 2011	53,358,727.14	45,863,576.41	0.00	0.00	7,495,150.73	7,495,150.73
OPAPP	25,112,408.01	0.00	0.00	0.00	25,112,408.01	25,112,408.01
OPAPP PAMANA-2013	84,978,594.48	60,638,818.00	24,199,643.46	140,133.02	0.00	24,339,776.48
SEP/BLEP-2012	75,363,512.19	56,457,011.24	0.00	0.00	18,906,500.95	18,906,500.95
SEP/BLEP-2013	305,659,891.93	226,152,275.74	161,888.40	0.00	79,345,727.79	79,507,616.19
YRRP	29,826,374.57	29,826,374.57	0.00	0.00	0.00	0.00
ARMM Conflict	24,459,323.98	0.00	0.00	0.00	24,459,323.98	24,459,323.98
SEP/BLEP-2014	216,412,121.15	60,621,435.47	64,057,831.61	6,495,112.56	85,237,741.51	155,790,685.68
Metering Program (LASURECO)	7,659,490.44	0.00	0.00	0.00	7,659,490.44	7,659,490.44
SEP/BLEP-2015	127,122,764.24	33,523,212.72	76,492,876.67	208,331.13	16,898,343.72	93,599,551.52
SEP/BLEP-2016	89,468,499.33	86,651,504.45	0.00	0.00	2,816,994.88	2,816,994.88
NHA -Yolanda	110,613,272.37	71,397,352.98	31,051,156.42	5,300,451.63	2,864,311.34	39,215,919.39
SEP/BLEP-2017	112,629,266.68	53,246,013.50	16,700,254.50	42,684,397.36	(1,398.68)	59,383,253.18
Typhoon Urduja, Vinta & Niña (QRF)	26,352,881.09	5,420,185.99	20,932,695.10	0.00	0.00	20,932,695.10
SEP/BLEP-2018	253,705,020.61	80,822,626.11	172,882,394.50	0.00	0.00	172,882,394.50
SEP/BLEP-2019	510,672,446.98	510,672,446.98	0.00	0.00	0.00	0.00
NDRMM-2018 (Marawi Siege)	192,482,938.42	192,482,938.42	0.00	0.00	0.00	0.00
Typhoon Ompong	26,132,891.97	26,132,891.97	0.00	0.00	0.00	0.00
Total	**2,280,820,543.94**	**1,539,908,664.55**	**406,478,740.66**	**54,828,425.70**	**279,604,713.03**	**740,911,879.39**

iii. Subsidies totaling P1,539,908,664.55 or 67 percent of the total unliquidated subsidies were releases in CY 2019 which do not exceed the 12 months' timeframe for the liquidation, hence, not yet due for liquidation.

iv. On the other hand, subsidy releases totaling P740,911,879.39 or 32 percent of the total unliquidated funds were already outstanding for more than one year, thus, already due for liquidation. However, these remained unliquidated as of December 31, 2019.

b. Of the P1.013 billion released (90 percent) in CY 2018, only P606.652 million or 60 percent were liquidated, leaving P406.479 million unliquidated as of December 31, 2019.

i. For CY 2018, NEA released to 44 ECs subsidy funds equivalent to 90 percent or almost the full amount of allocated cost while retaining the 10 percent retention money pursuant to NEA Memorandum No. 2018-032 dated May 9, 2018, which provides that "The initial subsidy fund (90% of the approved project cost) will be released to the EC as soon as the previous funds received are fully liquidated and a copy of the Notice of Award/Notice to Proceed with the winning bidder is submitted to ATEO/TED". The 90 percent release covered mobilization, full payment of the material and labor cost. The details are as follows:

	EC Name	Region	No. of Project	Gross Release	Amount Liquidated	Balance as of Dec. 31, 2019
1.	CAGELCO I	II	2	21,845,909.31	0.00	21,845,909.31
2.	NUVELCO	II	1	2,703,161.57	2,070,437.11	632,724.46
3.	QUIRELCO	II	1	15,307,722.59	0.00	15,307,722.59

	EC Name	Region	No. of Project	Gross Release	Amount Liquidated	Balance as of Dec. 31, 2019
4.	BENECO	CAR	4	39,917,960.01	0.00	39,917,960.01
5.	NEECO I	III	1	780,356.87	0.00	780,356.87
6.	BATELEC II	IV-A	1	800,647.06	0.00	800,647.06
7.	BISELCO	IV-B	1	1,218,053.44	0.00	1,218,053.44
8.	OMECO	IV-B	1	2,634,069.10	2,052,961.38	581,107.72
9.	PALECO	IV-B	2	69,232,350.64	9,450,862.32	59,781,488.32
10.	CASURECO I	V	2	4,461,087.14	4,253,688.95	207,398.19
11.	SORECO II	V	2	56,102,954.54	49,533,547.06	6,569,407.48
12.	TISELCO	V	2	3,576,261.46	0.00	3,576,261.46
13.	AKELCO	VI	4	47,300,667.70	28,971,334.54	18,329,333.16
14.	ILECO I	VI	1	2,028,070.31	0.00	2,028,070.31
15.	NOCECO	VI	1	31,276,369.57	26,721,431.49	4,554,938.08
16.	NONECO	VI	4	35,837,864.53	26,097,771.99	9,740,092.54
17.	BANELCO	VII	3	10,221,128.11	2,150,803.06	8,070,325.05
18.	BOHECO II	VII	1	6,715,374.02	6,299,368.20	416,005.82
19.	CEBECO II	VII	1	3,909,024.01	0.00	3,909,024.01
20.	NORECO I	VII	2	54,779,854.76	39,840,080.81	14,939,773.95
21.	NORECO II	VII	3	92,267,150.01	76,361,977.20	15,905,172.81
22.	BILECO	VIII	2	20,932,695.10	0.00	20,932,695.10
23.	DORELCO/ LEYECO I	VIII	2	6,170,779.71	4,953,175.66	1,217,604.05
24.	ESAMELCO	VIII	1	15,187,722.35	0.00	15,187,722.35
25.	LEYECO III	VIII	3	14,544,805.79	5,086,183.75	9,458,622.04
26.	LEYECO V	VIII	5	60,011,450.16	27,813,670.23	32,197,779.93
27.	NORSAMELCO	VIII	1	10,526,643.41	8,950,665.27	1,575,978.14
28.	SAMELCO II	VIII	2	11,348,844.78	8,879,524.01	2,469,320.77
29.	SOLECO	VIII	2	10,503,516.23	0.00	10,503,516.23
30.	ZANECO	IX	1	41,443,556.74	39,292,190.40	2,151,366.34
31.	FIBECO	X	1	71,229,595.25	67,642,086.10	3,587,509.15
32.	LANECO	X	2	11,287,589.56	9,149,141.94	2,138,447.62
33.	MORESCO I	X	1	2,827,284.50	0.00	2,827,284.50
34.	MORESCO II	X	1	11,449,372.14	10,698,912.98	750,459.16
35.	DANECO	XI	2	13,425,894.63	0.00	13,425,894.63
36.	DASURECO	XI	1	3,881,463.62	0.00	3,881,463.62
37.	COTELCO PPALMA	XII	2	74,998,682.41	67,899,027.00	7,099,655.41
38.	MAGELCO	BARMM	1	46,193,192.96	44,808,761.55	1,384,431.41
39.	SIASELCO	BARMM	2	13,855,767.85	2,478,937.94	11,376,829.91
40.	SULECO	BARMM	2	16,331,034.08	14,878,933.61	1,452,100.47
41.	ANECO	CARAGA	3	32,671,930.59	6,867,633.25	25,804,297.34
42.	ASELCO	CARAGA	1	16,915,523.15	12,343,204.62	4,572,318.53
43.	SIARELCO	CARAGA	1	1,533,635.88	567,491.88	966,144.00
44.	SURSECO II	CARAGA	1	2,943,318.92	537,791.60	2,405,527.32
Total			**80**	**1,013,130,336.56**	**606,651,595.90**	**406,478,740.66**

ii. As shown in the above Table, of the P1,013,130,336.56 released to 44 ECs in CY 2018, only the total amount of P606,651,595.90 or 60 percent were liquidated as of December 31, 2019, leaving an unliquidated balance of P406,478,740.66 which was not compliant with the timeline set for the ECs to liquidate the funds as agreed in the MOA between NEA and ECs.

c. The unliquidated amount of P279.605 million for completed projects which have been long outstanding for more than three years was not returned to NEA.

i. Subsidies totaling P279,604,713.03 of the unliquidated amount pertained to subsidy funds released to 33 ECs in CYs 2009-2016. The said balances should have already been returned to NEA since these have been long outstanding for more than three years and the corresponding project/s for the subsidy fund were already completed, detailed as follows:

	EC name	2009	2011	2012	2013	2014	2015	2016	Grand Total
1.	ABRECO	0.00	0.00	66,340.55	0.00	9,037,161.75	0.00	0.00	9,103,502.30
2.	BATANELCO	0.00	0.00	0.00	10,668,729.39	0.00	55,972,309.99	9,677,981.01	76,319,020.39
3.	BOHECO II	0.00	0.00	1,393,561.74	0.00	1,782,334.49	0.00	0.00	3,175,896.23
4.	CASELCO	0.00	0.00	0.00	0.00	0.00	25,112,408.01	0.00	25,112,408.01
5.	CASURECO IV	0.00	0.00	0.00	0.00	0.00	896,767.97	0.00	896,767.97
6.	CAMELCO	0.00	0.00	2,638,951.15	12,384,903.13	27,169,628.22	0.00	0.00	42,193,482.50
7.	CELCO	0.00	0.00	0.00		1,257,310.66	1,176,477.80	0.00	2,433,788.46
8.	CAPELCO	0.00	0.00	0.00	0.00	0.00	0.00	(0.01)	(0.01)
9.	DORELCO /LEYECO I	0.00	9.00	0.00	0.00	0.00	0.00	4,621.61	4,630.61
10.	ESAMELCO	0.00	26,089.31	0.00	2,544,408.58	0.00	0.00	0.00	2,570,497.89
11.	IFELCO	0.00	0.00	0.00	0.00	0.00	0.00	(0.03)	(0.03)
12.	ILECO I	0.00	0.00	0.00	0.00	0.00	(0.02)	0.00	(0.02)
13.	ILECO III	0.00	0.00	0.00	0.00	3,282,739.75	0.00	0.00	3,282,739.75
14.	KAELCO	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
15.	LASURECO	0.00	0.00	0.00	0.00	0.00	7,659,490.44		7,659,490.44
16.	LEYECO III	0.00	0.00	0.00	0.00	0.00	0.00	2,859,689.73	2,859,689.73
17.	LEYECO IV	0.00	0.00	587,615.92	0.00	0.00	0.00	0.00	587,615.92
18.	LEYECO V	0.00	0.00	182,678.15	0.00	0.00	0.00	0.00	182,678.15
19.	MAGELCO	8,810,118.36	0.00	0.00	0.00	0.00	2,459,675.50	4,430,132.14	15,699,926.00
20.	MOELCI I	0.00	0.00	0.00	0.00	0.00	1,434,254.88	0.00	1,434,254.88
21.	MORESCO I	0.00	236,129.30	0.00	0.00	0.00	0.00	(1,398.68)	234,730.62
22.	NORECO I	0.00	0.00	2,708,926.28	0.00	0.00	0.00		2,708,926.28
23.	NUVELCO	0.00	0.00	0.00	0.00	0.00	0.00	485,637.93	485,637.93
24.	OMECO	0.00	0.00	0.00	0.00	0.00	112,134.37	0.00	112,134.37
25.	ORMECO	0.00	0.00	0.00	0.00	1,829,460.01	0.00	0.00	1,829,460.01
26.	PANELCO I	0.00	0.00	0.00	0.00	22,529.78	0.00	0.00	22,529.78
27.	PROSIELCO	0.00	0.00	1,870.41	0.00	0.00	0.00	0.00	1,870.41
28.	BUSECO	0.00	0.00	0.00	0.00	0.00	334.09	0.00	334.09
29.	SORECO I	0.00	1,401,615.28	0.00	0.00	20,423,390.13	0.00	0.00	21,825,005.41
30.	SOCOTECO I	0.00	0.00	0.00	0.00	0.00	127,589.58	0.00	127,589.58
31.	TAWELCO	0.00	0.00	0.00	0.00	5,761,071.62	8,378,449.40	0.00	14,139,521.02
32.	TISELCO	0.00	0.00	0.00	768,265.32	0.00	66,132.72	0.00	834,398.04
33.	ZAMCELCO	0.00	4,067,891.22	0.00	0.00	39,698,295.09	0.00	0.00	43,766,186.31
	Total	**8,810,118.36**	**5,731,734.11**	**7,579,944.20**	**26,366,306.42**	**110,263,921.50**	**103,396,024.73**	**17,456,663.71**	**279,604,713.03**

ii. As of December 31, 2019, for CYs 2009 to 2016, there were 33 ECs that have either unliquidated balances or no liquidation made and some have minimal amounts for adjustments which are long overdue for liquidation.

d. Subsidy balance totaling P50.136 million for the completed projects were not returned by the concerned ECs to NEA to facilitate the closing of the balances in the NEA and ECs books.

i. There was unliquidated total amount of P51,723,708.67 as a result of partial liquidations made by ECs on the subsidy released for SEP/BLEP and Calamity Grant projects, detailed as follows:

Name of EC	Account Used	Project Description	Date Granted	Unliquidated Amount
1. ISELCO I	139-026	Installation of HW for 37 sitios	12/5/2017	1,044,736.12
2. NUVELCO	139-022	Installation of HW for 1 brgy.	11/24/2017	208,331.13
	139-026	Installation of HW for 22 sitios.	10/19/2017	1,163.25
	139-026	Installation of HW for 13 sitios.	5/3/2018	632,724.46
3. OMECO	139-014	DX line for 12 sitios	7/15/2015	112,134.37
4. ORMECO	139-014	DX line for 11 sitios	11/5/2014	176,481.35
5. CANORECO*	139-008	Installation of HW line for 57 sitios	3/28/2019	1,588,192.40

Name of EC	Account Used	Project Description	Date Granted	Unliquidated Amount
6. ASURECO I	139-031	Installation of HW line for 3 sitios	3/26/2018	21,225.53
7. NONECO	139-024	NHA Yolanda	3/2/2018	72,763.64
8. NORECO I	139-005	DX lines 2011 SEP B2- 20 Sitios	5/31/2012	301,643.92
9. DORELCO/ LEYECO I	139-024	NHA Yolanda - 1 RS	12/22/2016	4,621.61
10.ZAMCELCO	139-005	DX line for 7 sitios	10/6/2011	1,446,073.03
	139-005	DX line for 15 sitios	10/24/2011	2,621,818.19
11.CAMELCO	139-007	DX line for 26 sitios	7/20/2012	230,422.50
	139-007	Installation of HW for 25 sitios	6/13/2012	1,378,620.00
	139-008	DX line for 35 sitios	4/24/2014	6,755,711.57
	139-008	DX line for 49 sitios	4/24/2014	9,716,518.97
	139-008	DX line for 59 sitios	4/24/2014	10,697,397.68
12.LANECO	139-031	DX line for 13 sitios	9/10/2018	122,247.98
13.DORECO	139-026	Installation of HW for 44 sitios	9/20/2017	41,582.89
14.LASURECO	139-021	Metering Program	6/5/2015	7,659,490.44
15.MAGELCO	139-014	DX line for 48 sitios	3/17/2015	845,922.73
	139-022	DX line for 50 sitios	10/21/2015	1,613,752.77
	139-022	DX line for 50 sitios	1/29/2016	4,430,132.14
Total				**51,723,708.67**

CANORECO though with partial liquidation during CY 2019 however, not yet due.

ii. The Status Report of Fund Transfer as of December 31, 2019 showed that for CYs 2011 to 2018 there were 15 ECs with partial liquidations. It is stated in the remarks portion of the report that the above-mentioned ECs with their corresponding balances are for return. With such remarks, these are deemed completed projects except for CANORECO which has a balance of P1,588,192.40 that was released in March 2019. Thus, an aggregate amount of P50,135,516.27 was overdue for liquidation and considered as unexpended.

iii. Requiring the ECs to return the said unexpended amounts will further reduce the balance of the account Due from NGOs/POs by P50,135,516.27.

e. Simultaneous and subsequent releases of subsidy funds despite unliquidated balances were not in accordance with Section 4.5.6 of COA Circular No. 2007-001 and Section NEA Memorandum Nos. 2018-001 and 2019-001.

i. Forty-four (44) ECs were given subsidy of 90 percent as initial release for CY 2019 totaling P1,082,671,528.10, even if the previous years' subsidy balances were unliquidated. The details are as follows:

EC Name	Amount Released CY 2019	CY 2018 (a)	CY 2017 (b)	CY 2016 & Prior Years (c)	Total d=(a+b+c)
1. ABRECO	10,000,000.00	0.00	0.00	9,103,502.30	9,103,502.3
2. ANECO	20,034,391.23	25,804,297.34	0.00	0.00	25,804,297.34
3. ASELCO	26,068,034.81	4,572,318.53	0.000	0.00	4,572,318.53
4. AKELCO	13,500,000.00	18,329,333.16	1,385,120.09	0.00	19,714,453.25
5. BANELCO	8,578,245.80	8,070,325.05	1,161,867.90	0.00	9,232,192.95
6. BATELEC II	6,600,572.66	800,647.06	0.00	0.00	800,647.06
7. BILECO	3,332,869.43	20,932,695.10	1,612,877.02	0.00	22,545,572.12
8. CASURECO IV	12,689,587.21	0.00	0.00	896,767.97	896,767.97
9. CELCO	8,717,055.07	0.00	0.00	2,433,788.46	2,433,788.46

EC Name	Amount Released CY 2019	CY 2018 (a)	CY 2017 (b)	CY 2016 & Prior Years (c)	Total d=(a+b+c)
10. CEBECO II	10,337,273.79	3,909,024.01	0.00	0.00	3,909,024.01
11. COTELCO PPALMA	50,103,228.38	7,099,655.41	0.00	0.00	7,099,655.41
12. DANECO	91,822,091.27	13,425,894.63	0.00	0.00	13,425,894.63
13. DASURECO	41,311,730.20	3,881,463.62	0.00	0.00	3,881,463.62
14. DORECO	49,024,535.59	0.00	41,582.89	0.00	41,582.89
15. DORELCO/ LEYECO I	29,826,374.57	1,217,604.05	0.00	4,630.61	1,222,234.66
16. ESAMELCO	5,554,907.48	15,187,722.35	1,536,688.10	2,570,497.89	19,294,908.34
17. FIBECO	8,494,200.38	3,587,509.15	-6,274.86	0.00	3,581,234.29
18. ILECO III	16,710,188.03	0.00	0.00	3,282,739.75	3,282,739.75
19. LANECO	9,645,783.46	2,138,447.62	0.00	0.00	2,138,447.62
20. LASURECO	256,037,673.95	0.00	6,495,112.56	7,659,490.44	14,154,603
21. LEYECO V	1,368,881.66	32,197,779.93	0.00	182,678.15	32,380,458.08
22. MOELCI I	2,793,212.61	0.00	0.00	1,434,254.88	1,434,254.88
23. MORESCO II	23,403,282.50	750,459.16	1,215,332.30	0.00	1,965,791.46
24. NORECO I	13,182,005.04	14,939,773.95	0.00	2,708,926.28	17,648,700.23
25. NORECO II	19,791,584.65	15,905,172.81	0.00	0.00	15,905,172.81
26. NORSAMELCO	6,833,330.75	1,575,978.14	0.00	0.00	1,575,978.14
27. NUVELCO	35,312,970.79	632,724.46	209,494.38	485,637.93	1,327,856.77
28. OMECO	12,896,489.70	581,107.72	0.00	112,134.37	693,242.09
29. ORMECO	53,471,447.92	0.00	0.00	1,829,460.01	1,829,460.01
30. PALECO	49,617,319.46	59,781,488.32	0.00	0.00	59,781,488.32
31. PANELCO I	6,645,113.05	0.00	0.00	22,529.78	22,529.78
32. PROSIELCO	122,832.28	0.00	0.00	1,870.41	1,870.41
33. QUIRELCO	1,381,743.34	15,307,722.59	0.00	0.00	15,307,722.59
34. ROMELCO	18,564,311.93	0.00	20,144,999.48	0.00	20,144,999.48
35. SAMELCO II	1,615,016.49	2,469,320.77	0.00	0.00	2,469,320.77
36. BUSECO	7,029,098.72	0.00	0.00	334.09	334.09
37. SIARELCO	6,021,126.49	966,144.00	0.00	0.00	966,144
38. SOCOTECO I	8,308,376.96	0.00	4,601,034.28	127,589.58	4,728,623.86
39. SOCOTECO II	55,316,873.96	0.00	8,209,000.12	0.00	8,209,000.12
40. SOLECO	16,734,290.58	10,503,516.23	0.00	0.00	10,503,516.23
41. SUKELCO	1,943,201.61	0.00	2,134,995.52	0.00	2,134,995.52
42. SULECO	20,125,414.85	1,452,100.47	0.00	0.00	1,452,100.47
43. SURSECO II	35,572,513.03	2,405,527.32	0.00	0.00	2,405,527.32
44. TISELCO	6,232,346.42	3,576,261.46	0.00	834,398.04	4,410,659.5
Total	**1,082,671,528.10**	**292,002,014.41**	**48,741,829.78**	**33,691,230.94**	**374,435,075.13**

ii. Table above showed that the 44 ECs with release of 90 percent as initial funds of subsidy for new project/s have unliquidated balances for CY 2018 and prior years totaling P374,435,075.13 or 51 percent of the total due for liquidation.

iii. The simultaneous and subsequent releases of subsidy funds, despite unliquidated balances, were not in accordance with Section 4.5.6 of COA Circular No. 2007-001 and NEA Memorandum Nos. 2018-001 and 2019-001 - Policy Guidelines on the Implementation of SEP (Phase 2-Grid Connection) and Strategized Total Electrification Program (STEP).

iv. The NEA needs to attain the targeted projects to be implemented by ECs, however, it must be emphasized that there are guidelines, rules, and regulations that must be followed in the release of funds to NGOs/POs in accordance with the above-cited provisions.

v. Nevertheless, NEA is commendable for the significant reduction of the ending balance of the Due from NGOs/POs account from

P3,635,013,981.95 to P2,280,820,513.94 as of December 31, 2019, showing a decrease of 37 percent.

f. Adjustments of P1.653 million reported in the Status of Fund Transfer as of December 31, 2019 were not recorded in the books which could have reduced the unliquidated balance.

i. There were transactions related to the unliquidated subsidy fund due to some inaccuracies in the recording of refunds and liquidations for the subsidy release totaling P1,653,349.98, as summarized below:

	Name of EC	Account Used	Project Description	Unliquidated Amount	Remarks Indicated in the Status Report of Fund Transfer
1.	ORMECO	139-007		1,652,978.66	ASD Adjustment
2.	CASURECO II	139-022	Construction of H-Frame	6,262.43	Returned per JEV 2019-11-008081 but was credited in Prior Years' Adjustment account
3.	ZANECO	139-026	30 sitios	383.75	For adjustment
4.	FIBECO	139-026	Installation of HW for 95 sitios	(6,274.86)	Amount returned in excess of the unliquidated balance
Total				**1,653,349.98**	

ii. There were returned/remitted amounts and minimal clerical errors reported by the ASD in the Status of Fund Transfer as of December 31, 2019 which were not recorded in the books under the account Due from NGOs/POs. The account could have been reduced by P1,653,349.98 if these were effected in the books.

g. Unexpended balance aggregating P180.121 million for projects audited in CYs 2014 to 2018 remained unreturned to NEA contrary to Section 7 of the MOA between NEA and the ECs.

i. Twenty-eight (28) ECs audited in CYs 2014 - 2018 with unexpended balances aggregating P180,120,578.36 remained unreturned to NEA as of December 31, 2019. The breakdown is presented below:

	Name of EC	Unexpended Balance (As of 1/1/19)	Returned to NEA in CY 2019	Balance	With Submitted Revised AF and/or *Approved Realignment (subject for validation)
1	ANECO	2,400,834.84	0.00	2,400,834.84	2,400,834.84
2	ILECO II	10,775,333.79	0.00	10,775,333.79	10,775,333.79
3	NORECO I	11,597,756.85	0.00	11,597,756.85	11,597,756.85
4	ROMELCO	1,196,128.38	0.00	1,196,128.38	*1,196,128.38
5	BISELCO	1,860,990.89	0.00	1,860,990.89	*1,860,990.89
6	SOCOTECO 1	1,462,216.12	0.00	1,462,216.12	1,462,216.12
7	AKELCO	1,084,313.53	0.00	1,084,313.53	1,084,313.53
8	MASELCO	1,907,349.10	0.00	1,907,349.10	1,907,349.10
9	NEECO II A2	697,144.46	0.00	697,144.46	697,144.46
10	PANELCO I	199,211.66	0.00	199,211.66	199,211.66
11	SORECO I	4,136,595.29	0.00	4,136,595.29	0.00
12	FLECO	3,506,050.04	0.00	3,506,050.04	3,506,050.04
13	LEYECO III	3,631,185.60	0.00	3,631,185.60	3,631,185.60
14	DORELCO	2,954,274.05	1,154,710.61	1,799,563.44	0.00

	Name of EC	Unexpended Balance (As of 1/1/19)	Returned to NEA in CY 2019	Balance	With Submitted Revised AF and/or *Approved Realignment (subject for validation)
15	LEYECO V	13,539,881.48	0.00	13,539,881.48	13,539,881.48
16	ZAMSURECO I	18,854,387.79	0.00	18,854,387.79	605,229.37
17	DASURECO	2,451,451.97	0.00	2,451,451.97	0.00
18	NOCECO	6,818,820.12	0.00	6,818,820.12	*6,818,820.12
19	BENECO	2,674,044.28	0.00	2,674,044.28	2,674,044.28
20	ILECO I	5,089,175.65	0.00	5,089,175.65	0.00
21	CENECO	72,056.06	0.00	72,056.06	0.00
22	LUBELCO	8,337,722.45	0.00	8,337,722.45	0.00
23	BATELEC II	13,573,017.59	13,573,017.59	0.00	0.00
24	ISELCO I	26,385,671.20	2,588,328.21	23,797,342.99	26,385,671.20
25	MORESCO II	26,157,527.48	875,656.48	25,281,871.00	5,515,121.46
26	SOLECO	9,135,151.40	1,087,170.70	8,047,980.70	0.00
27	SURSECO II	7,075,732.27	25,000.00	7,050,732.27	0.00
28	TISELCO	12,333,317.87	482,880.26	11,850,437.61	0.00
	Total	**199,907,342.21**	**19,786,763.85**	**180,120,578.36**	**95,857,283.17**

ii. As can be gleaned from the preceding Table, 28 ECs which were audited in CYs 2014-2018 showed unexpended balance totaling P199,907,342.21 as of January 1, 2019. However, for the related projects, only the total amount of P19,786,763.85 was returned to NEA in CY 2019. Hence, the unexpended balance was reduced only to P180,120,578.36.

iii. The balance of P95,857,283.17 were submitted with the revised AFs or approved realignment. However, these cannot be considered as an outright deduction from the unexpended balance as this requires prior validation/submission of supporting liquidation documents.

iv. The unreturned unexpended balance covering CYs 2014-2018 is a reiteration of our previous year's audit observation.

12.6 ***We recommended and Management agreed to:***

a. Require the concerned ECs to immediately liquidate the subsidy fund amounting to P740.912 million which are already due for liquidation by submitting all the required liquidation documents such as Certificate of Final Inspection and Acceptance (CFIA) and Accounting of Funds with its supporting documents to validate the charges made to the subsidy fund and such other documents to facilitate the closing of the balances in the NEA and the ECs books;

b. Require the concerned ECs to liquidate their unliquidated balances of P406.479 million from the 90 percent initial release;

c. Demand from the concerned ECs to return the unliquidated amount of P279.605 million for completed projects which have been long outstanding for more than three years;

d. ***Require the ECs to return the unexpended amount of P50.136 million from completed projects to facilitate the closing of NEA and ECs books;***

e. ***Comply with Section 4.5.6 of COA Circular No. 2007-001, Item No. 6 of NEA Memorandum No. 2018-001 and Item No. 3 of NEA Memorandum No. 2019-001 by requiring the liquidation by the ECs of any prior/previous subsidy fund received before making subsequent fund releases;***

f. ***Verify and document the adjustments on the returns of unutilized subsidy fund reported in the Status Report of Fund Transfer and record in the books under the account Due from NGOs/POs the P1.653 million to facilitate the closing of the NEA and ECs' books;***

g. ***Require the ECs to submit the required documents to validate the charges made in the AFs together with the supporting schedule of the previous and the revised AFs, with hard and soft copy and properly label for verification and adjustment of the total unexpended balances, otherwise, return to NEA the total amount of P180,120,578.36; and***

h. ***Closely monitor the timely return of the unexpended balance on the AF submitted by EC on their liquidation.***

12.7 Management commented the following:

a. Out of P740,911,879.39 due for liquidation, a total of P192,596,794.34 was already liquidated from January to July 31, 2020, leaving unliquidated balance of P548,315,085.05;

b. Likewise, out of P51,723,708.67 unexpended amounts, the total amount of P2,526,463.34 were returned/liquidated by some ECs namely ORMECO, CANORECO, CASURECO I, LANECO and DORECO and DORELCO (with partial remittance). Also, they already required the ECs to return/liquidate the remaining unexpended subsidy fund amounting to P49,197,245.33;

c. The Administrator issued a Memorandum dated February 21, 2019 and July 11, 2019 directing the AMGD, FSD and TEREDD to facilitate the release subsidies for 2011-2016 Savings and 2019 SEP, respectively, for the timely implementation of SEP projects; and

d. Moreover, the returns of unutilized subsidy fund reported in the Status Report of Fund Transfer was already adjusted amounting to P1,652,978.66 and the remaining balance is still being reconciled.

12.8 As a rejoinder*,* NEA needs to attain the targeted projects to be implemented by ECs, however, it must be emphasized that there are guidelines, rules, and regulations that must be followed in the release of funds to NGOs/POs in accordance with the above-cited provisions.

13. The Accounting of Funds (AFs) of the 16 ECs in CAR, Regions III, IV-A, V, VIII, XI and BARMM for the implementation of the SEP, BLEP, Housewiring Program, Metering Program, Calamity Grant and Marawi Seige projects with reported unexpended/unutilized balance totaling P126.735 million were not immediately returned/remitted to NEA upon liquidation due to NEA's non-enforcement of Section 7 of the MOA, hence, deprived the government of funds to utilize for other projects.

Likewise, deficiencies/discrepancies were noted on the ECs liquidation supporting documents, which was not in conformity with Section 4.5.6 of COA Circular No. 2007-001 and Sections 2 and 7 of the MOA and NEA Memorandum No. 2013-023.

Further, MAGELCO's AFs for nine SEP and BLEP projects were not reported on a per project basis which was not compliant with Section 4.a of the MOA and NEA Memorandum No. 2013-023, resulting in the difficulty of tracing and verifying the actual disbursements utilized per project.

13.1 Sections 2, 4, 6 and 7 of the MOA provides that:

> Section 2 - *"THE RECIPIENT shall use the funds, which may be in the form of materials and equipment requisitioned, cost of labor and peso releases requested by the RECIPIENT from NEA, solely and exclusively for the project(s) adverted to in Schedule A, and in no case diverted or used for purposes unrelated to said projects such as but not limited to money market placements, and other related forms of investments not related to the project, payments for amortization on loans and/or credit accommodations obtained by the RECIPIENT from creditors, payment of power bills, salaries, wages, honoraria and other similar benefits of RECIPIENT'S regular personnel. Xxx."*
>
> Section 4 - *"Pursuant to COA Circular No. 94-013 S. 1994 the Recipient shall submit regular Accomplishment Reports on the progress of the project implementation including an accounting of the subsidy fund and disbursements made to implement the project(s)* ***on a per project basis,*** *and such other data and information, as may be required by NEA from time to time. A final report on the project(s) to include Accounting of Funds, Status Report of NEA subsidy fund releases and Certificate of Final Inspection and Acceptance must be submitted by the Recipient to NEA within three (3) months from completion of the project which shall be the basis for liquidation. Also, the Recipient shall conduct close-out of project within three (3) months after NEA's final inspection and acceptance to facilitate the take-up of completed projects in the EC books"*
>
> Section 6 - *"NEA shall institute appropriate actions and/or may suspend release of the subsidy fund in the event of failure of the RECIPIENT to strictly comply with the provisions of this Agreement."*

Section 7 - *"It is agreed that all amount in excess of total disbursements and cost of unimplemented project including interest earned thereon shall be returned/remitted to NEA or the Recipient may request written authority from NEA to use the savings/balance as well as interest accruing to the fund for activities allied to the project*, *within one (1) month after final inspection of NEA."*

13.2 NEA Memorandum No. 2013-023 dated October 10, 2013 provides for the submission of original documents to support the liquidation of subsidy funds. It categorically enumerates the documents needed to support the liquidation of subsidies received for the electrification projects.

13.3 Section IV of the NEA Memorandum No. 2015-036 enumerates the allowable charges to overhead:

"IV. Allowable Charges Against Contingency Funds: (1) Publication fee for all biddings; (2) Rental of private of EC vehicles used in the project (supported by contract/authorization and trip tickets); (3) Transportation and meal allowance of regular and project based employees assigned in the project; (4) Fuel and oil consumption for the project for non-rented coop vehicles; (5) Salaries and wages including overtime pay of employees for the duration of actual services rendered in project monitoring, supervision and inspection (supported by approved office order/travel order, Daily Time Record); and (6) Hauling/freight and handling expenses"

13.4 Audit of the subsidy funds released to the 16 ECs disclosed the following:

a. **The reported unexpended/unutilized balance totaling P126.735 million from the AFs of the 16 ECs were not immediately returned upon liquidation.**

   i. The submitted AFs of the 16 ECs in CAR, Regions III, IV-A, V, VIII, XI and Bangsamoro Autonomous Region for Muslim Mindanao (BARMM) for the completed/implemented SEP, BLEP, Housewiring Program and Calamity Grant projects already reported unexpended/unutilized balance totaling P126,735,151.99. However, some ECs did not return/remit the unexpended/unutilized funds upon liquidation due to NEA's non-enforcement of Section 7 of the MOA, hence, deprived the government of funds to utilize for other related projects.

b. **There were deficiencies noted on the ECs liquidation supporting documents which was not in conformity with Section 4.5.6 of COA Circular No. 2007-001 and Sections 2 and 7 of the MOA and NEA Memorandum No. 2013-023.**

   i. Audit of the subsidy funds for 168 projects disclosed an unexpended balance of P512,965,270.67 (net of returned amount to NEA) which remained unreturned/unremitted to NEA as of December 31, 2019, pursuant to Section 7 of the MOA, detailed on the next page:

Name of EC	No. of Proj.	Subsidy Receipts A	Expended/Disbursed Per AF B	Expended/Disbursed Per Audit C	Per EC's AF Unexpended D=(A-B)	Per EC's AF Subsidy Deficit	Unexpended Per Audit: Unexpended Prior to Return E=(A-C)	Unexpended Per Audit: Returned to NEA F	Unexpended Per Audit: Remaining Unexpended G=(E-F)	Subsidy Deficit E=(A-C)
1. CASURECO I	11	288,896,675.41	296,840,459.17	249,624,323.58	2,513,163.21	(10,456,946.97)	41,006,966.35	28,096.84	40,978,869.51	1,734,614.52
2. CASURECO II	9	70,857,995.96	70,184,740.69	69,282,877.11	2,908,526.72	2,235,271.45	3,419,179.90	2,131,210.34	1,287,969.56	1,844,061.05
3. CASURECO III	7	109,413,120.68	107,050,811.54	107,439,293.95	7,827,148.85	5,464,839.71	7,438,666.44	890,193.18	6,548,473.26	5,464,839.71
4. CANORECO	12	157,868,293.42	159,581,086.17	137,432,719.03	1,354,939.10	3,067,731.85	21,827,237.34	1,518,002.36	19,643,518.58	1,391,662.95
5. SORECO II	7	260,675,321.13	254,142,354.02	210,074,897.20	6,532,967.11	0.00	50,600,423.93	6,001,131.25	44,599,292.68	0.00
6. QUEZELCO II	7	51,803,860.39	51,385,871.53	51,385,871.53	871,219.49	453,230.63	871,219.46	871,219.46	0.00	453,230.63
7. SAMELCO II	17	153,328,042.92	120,255,572.86	79,400,143.62	33,072,470.06	0.00	73,927,899.30	10,979,027.13	62,948,872.17	
8. IFELCO	18	302,916,366.09	313,156,511.54	306,531,924.87	4,821,008.26	15,061,153.72	8,186,606.99	8,290,636.86	(104,029.87)	11,802,165.78
9. DORECO	22	253,053,993.30	235,252,386.70	176,059,307.93	26,225,647.02	8,424,040.42	79,314,340.46	25,587,180.40	53,727,160.06	2,319,655.09
10. PELCO I	7	22,214,693.59	20,931,473.70	20,770,463.00	1,392,463.18	109,243.29	1,553,473.88	1,329,572.80	223,901.08	109,243.29
11. MAGELCO	16	339,635,137.48	324,101,228.07	286,743,424.40	20,568,128.37	5,034,218.96	56,457,929.97	418,981.35	56,038,948.62	3,566,216.90
12. LASURECO	5	211,461,883.80	210,682,123.23	81,708,158.30	7,509,304.36	6,729,543.79	129,753,725.50	0.00	129,753,725.50	0.00
13. BASELCO	7	81,583,690.12	87,107,554.24	63,720,852.91	158,132.94	5,681,997.06	18,093,148.65	50,233.65	18,042,915.00	230,311.44
14. SULECO	9	65,102,445.43	61,673,003.87	41,939,388.88	7,392,994.53	3,963,552.97	25,468,729.85	0.00	25,468,729.85	2,305,673.30
15. TAWELCO	10	58,990,127.28	65,328,286.07	14,341,925.25	3,191,008.52	9,529,167.31	44,648,202.03	689,816.44	43,958,385.59	0.00
16. SIASELCO	4	35,714,408.07	35,735,722.13	26,230,562.52	396,030.27	417,344.33	9,848,539.08	0.00	9,848,539.08	364,693.53
TOTAL	**168**	**2,463,516,055.07**	**2,413,409,185.53**	**1,922,686,134.08**	**126,735,151.99**	**(76,628,282.46)**	**572,416,289.13**	**58,785,302.06**	**512,965,270.67**	**31,586,368.18**

Note: Excess of expenditures/subsidy deficit with 100% fund received from NEA is charged to EC's and is not offset against unexpended balance.

ii. Moreover, there were deficiencies/discrepancies noted on the supporting documents which were not considered, thus, increasing the amount of unexpended/unutilized balance from P126,735,151.99 to P512,965,270.67 (net of P58,785,302.06 returned to NEA). Listed below are some of the significant deficiencies which contributed to the increase of the unexpended/unutilized balance which is not compliant with Section 2 of the MOA and NEA Memorandum No. 2013-023:

a. Expenses not supported or lacking proper documentation such as liquidation reports, disbursement vouchers, Materials Charge Tickets (MCTs)/Materials Credit Tickets (MCrTs), Service Contract, Bid Documents, Bill of Materials, List of beneficiaries, payrolls, official receipts, check vouchers and Contract of Labor; the liquidation of cash advances, receiving and delivery reports;
b. Discrepancy of the amounts reported in AFs per NEA's liquidation journal vouchers against the amounts reflected in the AFs per liquidation documents;
c. Absence of documentary requirements;
d. Discrepancy in the amount of MCTs against the amount charged to AFs;
e. Variance between the number of poles in Staking Sheets and MCTs;
f. MCTs issued for Typhoon Nona charged to Typhoon Glenda;
g. Excess of unreturned and uninstalled materials offset against the 10% retained balance of the contractors;
h. Overcharging of salaries, vehicle rental and special equipment;
i. Understatement of labor;
j. No proper cost of allocation for fuel expenses;
k. Uninstalled electrical materials;
l. Excess of allowed P2,500 housewiring materials and labor per household;
m. Disbursements incurred beyond project completion and energization date;
n. Double charging of fuel and oil expenses in the AFs;
o. Input tax for Overhead Expenses charged to AF; and
p. Non-allowable charges such as excess of CA charged to AF, payment of BAC honoraria, Task Force Kapatid honorarium, visitors' accommodation, purchase of android tablets and printers, employees' incentives, purchased of laptops, software, emergency lights, T-shirt expenses, visitors' accommodation, rental of sound system, Meal Allowance, Lodging Allowance and honorarium of escort security.

13.5 As shown in the preceding Table, 16 ECs returned to NEA the unexpended subsidy of P58,785,302.06 from the unexpended balance of P572,416,289.13, thereby reducing the unexpended subsidy fund balance to P512,965,270.67, summarized as follows:

Particulars	Amount	Remarks
Unexpended balance, per audit	572,416,289.13	
Amount returned	58,785,302.06	The amount of P5,923,146.48 was returned in 1st semester of CY 2020. Includes the amount of P112,194.49

Particulars	Amount	Remarks
		though two projects incurred deficit and excess return of unexpended balance of P42,715.13 or a total of P154,909.62 was returned by CASURECO III.
Remaining unexpended balance	512,965,270.67	

13.6 On the twelve ECs that incurred subsidy deficit totaling P31,586,368.18, only the amount of P14,582,728.65 will be covered with the release of the remaining/retention balance, summarized as follows:

EC Name	No. of Project	SubsidyDeficit	Remaining/ Retention Balance (0.51-30%)	** To be Covered with the Release of the Remaining/ Retention Balance
CASURECO I	2	1,734,614.52	8,393,099.66	1,734,614.52
CASURECO II	4	*1,844,061.05	0.00	0.00
CASURECO III	3	*5,464,839.71	648,751.35	341,471.70
CANORECO	2	1,391,662.95	3,760,269.61	1,391,662.95
QUEZELCO II	2	453,230.62	706,976.98	453,230.62
IFELCO	9	*11,802,165.78	15,825,424.58	10,117,186.46
DORECO	1	*2,319,655.09	0.00	0.00
PELCO I	1	109,243.29	2,197,057.61	109,243.29
MAGELCO	2	3,566,216.90	0.00	0.00
BASELCO	2	230,311.44	1,330,822.37	131,716.46
SULECO	2	2,305,673.30	354,607.01	303,602.65
SIASELCO	1	364,693.53	0.00	0.00
Sub-total	**7**	**6,466,895.17**	**1,685,429.38**	**435,319.11**
Total	**31**	**31,586,368.19**	**33,217,009.17**	**14,582,728.66**

**with 100% release*
*** for the details of the exact amount to be released, please refer to the ML per EC.*

The Table above showed that twelve ECs which incurred subsidy deficit will be covered with the 0.51-30 percent unreleased remaining/retention balance from the approved project costs. Projects that exceeded the 100 percent of project costs should be charged to the ECs' General Fund. However, the amount to be covered with the release is only P14,582,728.66 or amount not exceeding the actual disbursements pursuant to Section 4 of the MOA.

13.7 Management attention is invited to the provisions of Section 4.5.6 of COA Circular No. 2007-001 (par. 13.1) and Section 6 of the MOA as agreed upon by NEA and the ECs.

13.8 ***We recommended that Management:***

a. ***Strictly enforce the provision of Section 7 of the MOA specifically the return of the unexpended amount reported in AF upon liquidation to NEA amounting to P126.735 million and furnish immediately the COA Office a photocopy of the official receipt, for monitoring purposes;***

b. ***Require the ECs to submit the required documents on a per project basis to validate the charges made in the AFs together with the supporting schedule in hard and soft copy, properly labeled for verification and adjustment of the total unexpended balances, otherwise, return to NEA the total amount of P386.230 million (net of total amount to be returned to NEA as indicated in Item a above;***

c. ***Direct the ECs to ensure that only related/allowable expenses are charged in the AFs; and***

d. ***Closely monitor the timely return of the unexpended balance on the AF submitted by EC on their liquidation.***

13.9 In compliance with the audit recommendations for ECs in Regions CAR, III, IV-A, V, VIII and XI except for SORECO II, the seven ECs namely CASURECO I, II, III, CANORECO, SAMELCO II, DORECO and PELCO I submitted additional documents for reconsiderations of the remaining unexpended balance totaling P185,358,764.22. Likewise, ECs in BARMM submitted initial justifications/request for an extension to comply with the audit recommendations.

13.10 As a rejoinder, the submitted additional documents and justifications will be subject for evaluation and validation of the supporting liquidation documents for adjustment of unexpended balance, when necessary/applicable and ECs compliance will be monitored to ensure its implementation.

14. The cost of unimplemented projects from the 2013 BLEP and 2014 SEP in MAGELCO and 2009 Regular Subsidy in SULECO amounting to P16.089 million and P1.533 million, respectively, were not returned to NEA, but instead, realigned to other barangays/sitios without prior approval from NEA, contrary to Sections 2 and 7 of the MOA between NEA and ECs, rendering the preventive control of prior approval before realignment ineffective resulting in possibility of loss.

14.1 Review of the CFIA of two ECs revealed that projects in four barangays and five sitios in MAGELCO with total project cost of P16,089,088.28 and one barangay in SULECO with project cost of P1,532,847.74 or a total of P17,621,936.02 were not implemented, and the funds were not returned to NEA, but were, however, realigned to another barangays/sitios.

14.2 The unimplemented four barangays in MAGELCO with total release of P9,387,184.49 were realigned to Brgy. Kuya, South Upi only. Likewise, the unimplemented five sitios with project cost of P6,701,903.79 were realigned to another five sitios located in Ampatuan and Guindulungan. The realigned projects were immediately implemented simultaneously with the implementation of barangays/sitios in other locations.

14.3 The MAGELCO requested the realignment of the subsidy for the aforementioned barangays/sitios only after the completion of the projects instead of prior to the implementation, to wit:

Name of EC	Date of CFIA		Year of Request for Realignment		Date of NEA's Approval of Realignment	
	Barangays	Sitios	Barangays	Sitios	Barangays	Sitios
MAGELCO	11/13/2015	11/08/15	2018	2016	02/15/2019	02/10/2016
SULECO	04/28/2010		None		None	

The issued CFIA in SULECO was signed by the General Manager (GM), Acting Technical Services Department (TSD) Manager and NEA Field Engineer which specified that the project was inspected and verified on April 21 to 25, 2010. It is also stated in the CFIA that Barangay Pang, K. Kaluang was completed as a realignment of Barangay Kan-Bulak, Luuk. Furthermore, verification of documents revealed that the realignment was without approval from NEA.

From the Table above, the approval of realignment in MAGELCO was made after the implementation of the realigned projects while in SULECO no approval was obtained from NEA.

14.4 The practice of realignment of unimplemented projects without prior approval from NEA was contrary to Sections 2 and 7 of the MOA which requires that the recipient shall use the funds and releases requested by the recipient from NEA solely and exclusively for the projects adverted to in Schedule A and cost of unimplemented project shall be returned but can be requested with a written authority from NEA to utilize the fund for other activities allied to the project.

14.5 The absence of approval from NEA prior to realignment of projects renders the preventive control of prior approval before realignment ineffective resulting in possibility of loss.

14.6 ***We recommended that Management require the ECs to seek approval first from NEA prior to the implementation of the realignment of subsidy fund pursuant to Section 7 of the MOA.***

14.7 MAGELCO Management commented that they submitted Board Resolution for every realignment to NEA. The approval usually came late, and they cannot wait for much longer time because they were under pressure to finish the projects as soon as possible. They exerted pressure to their LGUs and local leaders for the realignment of projects, which resulted in the unexpected changes or realignment of the site of the projects.

14.8 We reiterate our recommendation that Management require the ECs to seek approval first from NEA prior to the implementation of the realignment of subsidy fund pursuant to Section 7 of the MOA.

15. Projects in four barangays covered by TAWELCO and BASELCO amounting to P8.703 million funded by the 2013 PAyapa at MAsaganang PamayaNAn (PAMANA) and 2014 BLEP were not implemented and the funds were not returned to NEA contrary to Section 7 of the MOA which compromised the attainment of project objectives to uplift the lives of the marginalized consumers and deprived the government of funds for utilization to other related projects.

15.1 Review of the Certificate of Final Inspection and Acceptance (CFIA) attached to the liquidation documents showed that four barangays located in TAWELCO and

BASELCO under 2013 PAMANA and 2014 BLEP, respectively, were not included in the list, detailed as follows:

EC Name/ Source Fund/ Project Description	Barangay Name	Amount Released (90%)
1. TAWELCO		
2013 PAMANA - Line Enhancement to six Barangays	Paimusan. Languyan	764,738.74
	Busnunuk, Languyan	2,846,796.53
	Tubig Dakal, Languyan	2,835,509.95
	Sub total	**6,447,045.22**
2. BASELCO		
2014 BLEP -Line Enhancement to four Barangays	Brgy. Panducan, Hadji Mohatamad	2,255,462.06
Total		**8,702,507.28**

15.2 As shown in the Table above, the three barangays totaling P6,447,045.22 were not implemented. Verification from the concerned personnel of TAWELCO revealed that though 60 percent of the contract price was already paid to the contractor for the said project, the construction of lines for Paimusan, Busnunuk and Tubig Dakal located in Languyan was disrupted due to the Department of Public Works and Highways' (DPWH) road widening project in Languyan Island. We requested a copy of the CFIA, if any, to the concerned personnel of the Accounts Services Division (ASD), however, as of audit date, no CFIA was submitted.

15.3 Likewise, Brgy. Panducan, Hadji Mohatamad which is within the vicinity of BASELCO under the 2014 BLEP was also not implemented. The estimated project cost should be the 90 percent released from the estimated total approved evaluated cost per barangay of P2,506,068 amounting to P2,255,462.06. The Audit Team cannot determine the exact project cost per barangay since it was not stated in the attached Schedule of the MOA. In addition, the Evaluation Sheet prepared and approved by the concerned personnel of Total Electrification Division (TED) together with the Budget Request and Request for Release of Construction Fund (RRCF) attached to the journal voucher for the grant of subsidy was not also indicated.

15.4 The non-implementation of the projects in the four barangays from BASELCO and TAWELCO compromised the attainment of project objectives to uplift the lives of the marginalized consumers. Moreover, the non-return of the related cost was contrary to Section 7 of the MOA as stated in paragraph 14.1 and which also deprived the government of funds for utilization to other related projects.

15.5 ***We recommended that Management:***

a. Require the two ECs to submit explanation/justification for the non-implementation of the above-mentioned four barangays for review and evaluation;

b. Determine the actual evaluated project cost of the unimplemented barangay in BASELCO; and

c. ***Require TAWELCO and BASELCO to immediately return to NEA the project cost of unimplemented barangays and furnish the COA office a photocopy of the OR, for monitoring.***

15.6 Management commented that they will require BASELCO to resubmit the As-Plan Staking Sheets and Bill of Materials for the four barangays to determine the project cost of the unimplemented projects. Also, a copy of a letter dated July 16, 2020 addressed to BASELCO was submitted to COA Office requiring the ECs to comply with the audit recommendations.

15.7 We reiterate our recommendation to submit explanation/justification for non-implementation of the above-mentioned barangays and return to NEA the cost of unimplemented barangays after evaluating the actual cost allocated to Brgy. Panducan, Hadji Mohatamad.

16. The subsidy releases for the line extension of 14 sitios/barangays from six projects in SULECO under Regular Subsidy, DAP-TISP and BLEP were previously funded from various projects covering January 16, 1996 to March 1, 2004 which is contrary to sound project evaluation. Thus, cast doubt on the reliability of the evaluation process of NEA.

16.1 There were 13 sitios/barangay included in the rural electrification projects in SULECO prior to March 1, 2009, but were funded in the 2008-09 Regular Subsidy, 2011 Disbursement Acceleration Program (DAP) and 2013 Barangay Line Enhancement Program (BLEP).

16.2 Verification from the previous COA Management Letter covering the period from January 16, 1996 to March 1, 2004, showed that there were projects in barangays/sitios already provided with subsidy funds, however, still included in the 2008-09 regular subsidy, DAP and 2013 BLEP funds. Some were funded more than once. This implies that NEA did not evaluate thoroughly the ECs submitted request for subsidy funding to avoid duplication of projects in barangays/sitios.

16.3 Brgy. Niog-niog, Luuk was included in the subsidy released prior to March 2009, but this was not implemented and the allocated cost cannot be traced if returned to NEA. However, the said sitio was still funded by the 2008 Additional Subsidy.

Double-Funded Barangay	Project Description	Source Fund	Total Project Cost (net of SC)	Check No.	Check Date	Date Received by EC
Brgy. Niog-niog, Luuk (passing Brgy. LingahEnh.)	2008 Additional Subsidy	Regular Subsidy	10,631,360.00	LBPBEAD-09-10-077	11/13/2009	11/13/2009
	Construction of Dx Line to Luuk		2,349,372.95	155489	08/06/1996	08/16/1996
	Line expansion to 12 barangays		8,042,620.29	3080336	03/06/2002	03/13/2002
Total			**21,023,353.24**			

16.4 The unimplemented barangay was due to its location, being far from the nearest service lines and others were not accessible due to poor road conditions and right-of-way problems. Hence, the EC decided to realign the subsidy fund to other projects. However, there was no available data where the subsidy fund of the unimplemented sitio was realigned.

16.5 The inclusion of the aforementioned sitios/barangays into more than one different project/s prior to and within the audit cut-off date cast doubt on the reliability of the evaluation process conducted by NEA.

16.6 ***We recommended that Management ensure to evaluate thoroughly the projects submitted by the ECs for funding by verifying among others whether previous subsidy fund was granted and strengthen the monitoring of the implementation of subsidy fund to avoid double funding.***

17. The subsidy charged for the 14 projects in MAGELCO and BASELCO funded under EREPP, Regular Subsidy, SEP and BLEP aggregating P250.354 million and P54.448 million, respectively, lacked supporting liquidation documents to support the AFs and CFIA as required under NEA Memorandum No. 2013-023 and MOA between NEA and ECs, hence, the validity of the expenses was not determined.

17.1 Review of the journal vouchers for the liquidated subsidy funds for MAGELCO showed that the seven projects were issued with CFIA, however, there was no AFs or lacked liquidation documents to validate the disbursements charged to the subsidy fund.

17.2 Likewise, the other seven SEP/BLEP projects liquidated in BASELCO disclosed that the attached AFs and CFIAs to the journal vouchers do not have supporting documents to validate the charges made in the AFs pursuant to NEA Memorandum No. 2013-023. The projects are summarized below:

EC Name	Source Fund	% of Release	No. of Project	No. of Barangays	No. of Sitio	Total Amount Received
MAGELCO	EREPP, Regular Subsidy, SEP and BLEP	70 - 90	7	32	140	250,354,280.84
BASELCO	SEP & BLEP	87 - 99	7	5	65	54,447,636.11
Total			**14**	**37**	**205**	**304,801,916.95**

17.3 As can be gleaned from the Table above, the listed EREPP, Regular Subsidy, SEP and BLEP for 14 projects totaling P304,801,916.95 with 70 -99 percent released were already liquidated in the NEA books. However, due to absence/lacking supporting documents to support the expenses charged in the AFs, these are suspended until submission of the required documents as stated in Section 4 of the MOA and the NEA Memorandum No. 2013-023.

17.4 ***We recommended that Management require the MAGELCO and BASELCO to submit the required supporting original documents totaling P250.354 million and P54.448 million, respectively, to validate the expenses charged to the subsidy funds on a per project basis in hard and soft copy, properly***

labelled pursuant to Section 4 of the MOA and NEA Memorandum No. 2013-023.

17.5 MAGELCO Management commented that all documents and official receipts were already submitted to NEA with receiving copy of summaries of AFs from SEP 2013 to SEP 2018 dated Sept. 7, 2018 except for the previous and old projects of SEP 2009 to SEP 2011 which was also submitted by the previous management. Also, NEA submitted to COA copy of the letter addressed to BASELCO Board President dated July 16, 2020 requesting compliance to the audit observations.

17.6 As a rejoinder, compliance with the audit recommendations will be monitored to ensure submission of the liquidation..

18. The grant and liquidation of the subsidy fund amounting to P25.112 million released in 2015 to the Cagayan de Sulu Electric Cooperative, Inc. (CASELCO) for the implementation of expansion of lines to 26 sitios under the 2011 Disbursement Acceleration Program (DAP) - Transition Investment Support Program (TISP) were with deficiencies, thus, not in accordance with the NEA Memorandum No. 2013-008, NEA guidelines on documentary requirements and MOA between NEA and CASELCO, indicating poor monitoring and management of the subsidy fund, to wit:

a. The release of subsidy fund was one-time or 100 percent of the allocated cost per MOA instead of on staggered basis and not in accordance with the guidelines on documentary requirements;

b. The subsidy fund received by CASELCO amounting to P24.263 million was transferred to the 52nd Engineer Brigade, Cabatangan, Zamboanga City which was contracted to implement the project, in violation of the MOA between NEA and CASELCO;

c. Expansion of lines to seven sitios were implemented but four were not the approved sitios. Also, the implementation was delayed for 747-768 days or more than two years;

d. The subsidy fund with approved project cost of P25.112 million remained unliquidated as of audit date; and

e. Projects from the subsidy fund released amounting to P22.006 million for the 23 sitios were not implemented but the fund was not returned to NEA contrary to the MOA executed between NEA and EC.

18.1 Mapun, Tawi-Tawi under the coverage area of the Cagayan de Sulu Electric Cooperative, Inc. (CASELCO) was among the subsidy recipient of the 2011 Disbursement Acceleration Program (DAP) under the Transition Investment Support Plan (TISP) for the Bangsamoro Autonomous Region for Muslim Mindanao (BARMM). The subsidy fund totaling P200 million was received by the NEA from the National Government (NG) on February 9, 2012. Of this fund, the amount of P25,112,408.01 was allocated and released to CASELCO, detailed as follows:

Particulars	JEV No.	Check No.	Check Date	Gross Amount	Remarks
1. Initial release of 2011 TISP Fund to cover cost of materials and labor for line expansion to 26 sitios in the Municipality of Mapun, Cagayan de Sulu	2012-04-003513	326983	4/25/2012	12,146,598.08	This check became stale and the journal entry was reversed on Jan. 31, 2014 only.
2. One time release/ 100 percent/ of 2011 TISP for the construction of lines to 26 sitios	2015-02-000936	368560	2/18/2015	25,112,408.01	

18.2 Examination of the subsidy released to CASELCO disclosed the following:

a. The release of subsidy fund was one-time or 100 percent of the allocated cost per MOA instead of on staggered basis per NEA Memorandum No. 2013-008, and also not in accordance with the NEA guidelines on documentary requirements.

i. Per NEA guidelines, the documentary requirements for the release of subsidy funds to ECs are as follows:

- Duly signed Request for the Release of Construction Fund (RRCF) of the subsidy grant;
- ECs duly signed Board Resolution requesting for subsidy grants;
- As planned Staking Sheet;
- As planned Bill of Materials; and
- Certification of potential households from the Barangay Chairman

ii. Also, per NEA Memorandum No. 2013-008 on the Guidelines on Request for Release of Construction Funds to Electric Cooperatives (ECs) funded by subsidy, the release of the subsidy funds to the ECs is on a staggered basis, as follows:

Schedule of Release	Manner of Release	
	Prior to CY 2013	CYs 2013-18
1st Release	50%	70%
2nd Release	40%	20%
3rd Release	10%	10%

iii. Verification from the e-NGAS disclosed that JEV No. 2012-04-003513 amounting to P12,146,598.08 was processed and Check No. 326983 was generated on April 25, 2012 for the initial release of 50 percent of the subsidy fund for the line expansion to 26 sitios in the Municipality of Mapun, Cagayan de Sulu. However, said check became stale and the journal entry was reversed on January 31, 2014, but no records on file are found in COA Office.

iv. From June to July 2014, the NEA Management reprocessed the release of subsidy fund for the same project and prepared Check No. 368560 dated February 18, 2015 amounting to P24,263,196.14 representing one-time or 100 percent release of the allocated cost for the construction of 26 sitios. The documents submitted to the COA Office to support the release of funds to CASELCO are the following:

- Original Journal Voucher (JV),
- Photocopy of Disbursement Voucher (DV) dated November 24, 2014;
- Photocopy of Budget Utilization Request (BUR) dated June 16, 2014; and
- Photocopy of the check with stamped "unclaimed".

v. The subsidy check was deposited at the Land Bank of the Philippines (LBP) for the account of CASELCO with validation date of August 13, 2015 together with OR No. 11692 dated July 10, 2015.

vi. The above-listed documentary requirements were not attached to the JV and DV.

vii. The TEREDD informed that they have no records on file nor a report such as Status of Project or Inspection Report except for the photocopies of RRCF and NEA Engineering Evaluation of the Project.

viii. On July 1, 2014, the Supreme Court declared the DAP as unconstitutional, however, the NEA continued to reprocess and released the fund to CASELCO since it was already allocated. But this time, the release of the subsidy fund was one-time or 100 percent of the amount per MOA instead of 70 percent as stated in the NEA Memorandum No. 2013-008.

ix. The laxity in processing and releasing the 2011 DAP-TISP subsidy fund to CASELCO amounting to P25,112,408.01 is questionable given the above deficiencies which are contrary to NEA guidelines on documentary requirements and not in accordance with NEA Memorandum No. 2013-008.

b. The subsidy fund received by CASELCO amounting to P24.263 million was transferred to the 52nd Engineer Brigade, Cabatangan, Zamboanga City which was contracted to implement the project, in violation of the MOA between NEA and CASELCO.

i. The MOA executed between NEA and CASELCO for the grant of subsidy fund amounting to P25,112,408.01 for the extension of lines to 26 sitios in the Municipality of Mapun, Cagayan de Sulu provides for the latter to implement the project with responsibility to complete the project within the timeline specified in the MOA in accordance with NEA specifications and standards and liquidate the fund upon final inspection and acceptance by the NEA within a prescribed period. The grant of the subsidy fund should be based on the evaluation made by NEA taking into consideration the completeness of documentary requirements.

ii. The project was implemented by the 52nd Engineer Brigade, Philippine Army, Cabatangan, Zamboanga City through the Armed Forces of the Philippines (AFP) represented by the then Chief of Staff, Camp General Emilio Aguinaldo, Quezon City, through a MOA executed between CASELCO and AFP on February 5, 2015. The fund was transferred to the 52nd Engineer Brigade and the receipt of said fund amounting to P24,263,196.14 was confirmed by the Collecting Officer on June 23, 2020 under OR No. 8170378 dated February 1, 2016.

iii. As of December 31, 2019, except for the three implemented projects, the remaining 23 projects have not been completed and the fund is not yet liquidated. The CASELCO Board President and Secretary requested the NEA to intervene for the investigation on the alleged mismanagement of the fund.

iv. CASELCO's transferring the subsidy fund to other government implementing agency intended for its project implementation violated the MOA between NEA and CASELCO.

c. Expansion of lines to seven sitios were all implemented but the four were implemented not on the approved sitios. Also, the implementation was delayed for 747-768 days or more than two years.

i. Section 3 of the MOA between NEA and CASELCO provides that:

> *"xxx The project(s) should be implemented and completed within six (6) months after receipt of the subsidy appropriations by the Recipient from NEA, or at later date agreed upon between the two parties."*

ii. Section 1.3 of the MOA between CASELCO and AFP provides that:

> *"The project must be completed and energized within the period of 120 days upon receipt of the notice to proceed*."

iii. The subsidy check was deposited at the Land Bank of the Philippines (LBP) under the account of CASELCO with validation date of August 13, 2015 together with OR No. 11692 dated July 10, 2015. In addition, the OIC-General Manager of CASELCO stated in her letter addressed to the Commanding Officer of the 545th Engineer Brigade, Cabatangan Complex, Cabatangan, Zamboanga City that the start of implementation of the project was on January 30, 2018.

iv. Based on the List of Completed/Energized Projects for CY 2018 as reported by the TEREDD, there were seven completed/implemented projects out of 26 sitios, detailed as follows:

Approved List of Sitio	Allocated Cost	Report on List of Completed/Energized Projects for CY 2018		
		Implemented	Date Completed	Date Energized
1. Sannah, Tabulian, Mapun	1,145,124.49	Sannah, Tabulian, Mapun	3/20/2018	-

Approved List of Sitio	Allocated Cost	Report on List of Completed/Energized Projects for CY 2018		
		Implemented	Date Completed	Date Energized
2. Sipasi, Kompang, Mapun	978,550.13	Sipasi, Kompang, Mapun	3/12/2018	3/14/2018
3. Marang, Duhul-bato, Mapun	982,830.45	Marang, Duhul-bato, Mapun	2/27/2018	3/3/2018
Sub total	*3,106,505.07*			
4. Landing, Liyubud, Mapun	716,800.76	Landing, Duhul Bato, Mapun	2/27/2018	3/3/2018
5. Bellean, Mahalu, Mapun	1,045,553.10	Bellean, Duhul Bato, Mapun	2/27/2018	3/3/2018
6. Pandan Pandan, Mahalu, Mapun	721,483.22	Pandan pandan, Duhul Bato, Mapun	2/27/2018	3/3/2018
7. Batu-batu, Boki, Mapun	1,163,068.03	Batu-batu, Duhul Bato, Mapun	2/27/2018	3/3/2018
Sub total	*3,646,905.11*			
Total	**6,753,410.18**			

v. The CASELCO/AFP reported seven sitios completed as of March 20, 2018. However, the four implemented sitios were not the approved sitios as indicated in the MOA. The implemented So. Landing, So. Bellean, So. Pandan-Pandan and So. Batu-Bato, though the same name under the approved sitios, however, the barangay locations were different. These are not the exact location as indicated in the MOA. Hence, only three sitios are considered as implemented and the allocated cost of the four sitios are to be returned to NEA.

vi. Likewise, there was a long gap of delay ranging from 747-768 days or more than two years in which the project should be implemented as agreed in the MOA between NEA and CASELCO and CASELCO and AFP, respectively.

vii. The Table below showed the number of days delayed for the seven implemented sitios based on the date of check released to CASELCO on August 13, 2015 and the available data submitted by TEREDD on the Report of Completed and Energized Sitios as of December 31, 2018.

Date of Release of Subsidy Fund	Date Should be Completed	Date Completed*	No. of Days Delayed *
8/13/2015	2/9/2016	2/27/18 -3/20/18	747-768

**Seven sitios implemented but only three sitios were approved.*

viii. The delayed implementation of the aforementioned sitios were not compliant with the MOA between NEA and CASELCO which deprived the intended beneficiaries of the electrification program to uplift the lives of the rural people.

d. The subsidy fund with approved project cost of P25.112 million remained unliquidated as of audit date.

i. Section 4 of the MOA provides that:

"Pursuant to COA Circular No. 94-013 S. 1994 the Recipient shall submit regular Accomplishment Report on the progress of the

project implementation including an accounting of the subsidy fund and disbursements made to implement the project(s) on a per project basis, and such other data and information, as may be required by NEA from time to time. A final report on the project(s) to include Accounting of Funds, Status Report of NEA subsidy fund releases and Certificate of Final Inspection and Acceptance and other documents provided in Schedule B must be submitted by the Recipient to NEA within three (3) months from completion of the project which shall be the basis for liquidation. Also, the Recipient shall conduct close-out of the project within three (3) months after NEA's final inspection and acceptance to facilitate the take-up of completed projects in the EC books."

ii. CASELCO has six months to implement the rural electrification/rehabilitation project from receipt of subsidy fund from NEA on August 13, 2015. Also, upon completion of the project, the ECs have six months to liquidate the subsidy fund including the close-out of the project or a maximum of 12 months or one year from receipt of the subsidy fund provided that an application for extension of project implementation is approved.

iii. In its letter dated December 13, 2018, NEA requested the CASELCO OIC-General Manager information on the status/development of the project. On February 12, 2019, the CASELCO Board President and Board Secretary wrote an appeal to the NEA Administrator to intervene on his capacity in the investigation of the mismanagement undertaken by the 52nd Engineer Brigade involving the non-implementation of the 23 sitios.

iv. The unliquidated subsidy fund amounting to P25,112,408.01 should have already been returned to NEA since it was already long outstanding for more than two years and the said project should have already been implemented.

e. Projects from the subsidy fund released amounting to P22.006 million for the 23 sitios were not implemented but the fund was not returned to NEA contrary to the MOA executed between NEA and EC.

i. Section 7 of the MOA between NEA and CASELCO provides that:

> *"It is agreed that all amount in excess of total disbursements and cost of unimplemented project including interest earned thereon shall be returned/remitted to NEA or the Recipient may request written authority from NEA to use the savings/balance as well as interest accruing to the fund for activities allied to the project, within one (1) month after final inspection of NEA."*

ii. Per Report of Completed and Energized Sitios as of December 31, 2018, only three sitios were implemented. Below are the sitios within the coverage of CASELCO that were not implemented:

Unimplemented Sitios	Allocated Cost
1. Boulevard, Liyubud, Mapun	689,824.16
2. Takot-takot, Liyubud, Mapun	684,742.58
3. Landing, Liyubud, Mapun	716,800.76
4. Linggisan, Liyubud, Mapun	570,184.76
5. Liu-bud, Liyubud, Mapun	725,506.36
6. Santolan, Lupa-pula, Mapun	706,495.62
7. Pitugo, Mahalu, Mapun	697,116.90
8. Pandan Pandan, Mahalu, Mapun	721,483.22
9. Siyatab, Mahalu, Mapun	1,045,553.10
10. Ungos-Ungos, Mahalu, Mapun	1,031,662.73
11. Danao, Mahalu, Mapun	973,908.15
12. Bellean, Mahalu, Mapun	1,045,553.10
13. Tumandog, Lubbakparang, Mapun	1,020,407.57
14. Taggop, Lubbakparang, Mapun	1,023,451.11
15. Sipahu, Lubbakparang, Mapun	1,059,105.29
16. Bohen Siluk, Lubbakparang, Mapun	1,155,876.60
17. Sapah, Lubbakparang, Mapun	1,637,927.70
18. Simbahan, Lubbakparang, Mapun	1,146,612.02
19. Batu-batu, Boki, Mapun	1,163,068.03
20. TongTambak, Tanduan, Mapun	983,082.78
21. Tong-tong, irok-irok, Mapun	1,149,981.47
22. Siyabon, Sikub, Mapun	1,012,128.77
23. Batutay, Guppah, Mapun	1,045,430.14
Total	**22,005,902.92**

iii. We requested the concerned personnel of TEREDD on the Status Report of the project as of December 31, 2019, but as of audit date, no report was provided. However, the concerned personnel verbally informed that he was scheduled to conduct inspection in March 2020. However, due to community quarantine brought by Pandemic COVID-19, said schedule did not push through.

iv. The unimplemented sitios were confirmed by the CASELCO's OIC-General Manager in her letter to the Commanding Officer of the 545th Engineer Brigade, Philippine Army, Cabatangan Complex, Cabatangan, Zamboanga City stating "We have learned that the remaining funds for the electrification project had already been liquidated, procurement had taken place but there was no delivery of materials to Mapun".

v. In addition, CASELCO submitted to NEA Resolution No. 2 Series of 2019 dated April 4, 2019, requesting the Commanding Officer of the Philippine Army for the immediate investigation of the mismanagement of funds in the implementation of the SEP in Mapun, Tawi-Tawi.

vi. Considering the foregoing, the allocated cost for the 23 unimplemented sitios must be returned to NEA in compliance with Section 7 of the MOA.

18.3 ***We recommended that Management:***

a. Henceforth, stop the granting and one-time release of subsidy fund, otherwise, the same would be disallowed in audit for lack of

supporting documents required under NEA Memorandum No. 2013-008 and NEA guidelines on documentary requirements;

b. ***Demand from CASELCO the immediate return of the total amount of P22.006 million corresponding to the approved allocated cost of 23 unimplemented sitios, otherwise, a Notice of Disallowance will be issued to NEA/CASELCO including the officials and employees responsible in the approval and release of the subsidy fund;***

c. ***Enforce the immediate liquidation by CASELCO of the total amount of P25.112 million considering that the projects are already more than four years since subsidy fund was deposited to its account, and requiring them to submit all the required liquidation documents including the Accounting of Fund with its supporting documents to validate the charges made against the subsidy fund; and***

d. ***Institute legal action against the officials who favorably approved the implementation by other government agency but failed to fully complete the project and liquidate the fund covered by the MOA, if warranted.***

18.4 NEA Management submitted the chronology of events regarding the CASELCO Electrification Program for 26 sitios under the 2011 DAP-TISP. It is also indicated in the said chronology of events the Memorandum of the NEA Former Administrator to the Board Governance Recommending Approval of the Amendment to Article II, Section 2.1 of the MOA between AFP and CASELCO following "100 percent Fund Transfer for the electrification of 26 sitios in Mapun, Cagayan de Sulu."

18.5 CASELCO Management on the other hand, submitted their comments as follows:

a. There was a long process before CASELCO received the funds due to issues on hauling/transportation going to Mapun, no contractor wanted to go to Mapun and handle the completion of the projects because of the aforementioned concerns and due to security reason. Given the foregoing, the Engineering Brigade through AFP particularly the 52nd Engineering Brigade, a government entity accepted the challenge to handle the construction/energization of the 26 sitios. If no contractor taker on the government projects because of the above circumstances, the AFP Engineering Brigade as default will take over.

b. On July 10, 2015, CASELCO received the amount of P24.263 million. Likewise, NEA prepared a tripartite MOA as agreed between AFP, NEA and CASELCO. Because downloading of 100 percent is in the contract, on December 9, 2015, CASELCO deposited//transferred the100 percent NEA released funds to the 52nd Engineer Brigade (EB), Philippine Army to mobilize the team who will handle the projects, start the procurement of materials and equipment and eventual construction of the projects.

c. There are so many intervening issues in AFP wherein CASELCO and people resided in Mapun are affected 100 percent as well as the leaders in Mapun. Because, we can no longer control the situation, on February 12, 2019, CASELCO prepared a Board Resolution requesting NEA to intervene on various issues within AFP as government agency to government agency follow up.

d. Finally, the AFP personnel visited the EC on November 27, 2019 and explained what transpired in the implementation of the electrification project and reported the significant dates, breakdown of funds and significant developments from the preparation of the tripartite agreement up to the status of the project. CASELCO also commented that the AFP personnel proposed an action plan for the continuity of the implementation project.

18.6 As a rejoinder, it was noted from the report submitted by the AFP to CASELCO that the realigned and completed So. Landing, So. Bellean, So. Pandan-Pandan and So. Batu-Bato with allocated cost totaling P3,646,905.11 were approved by CASELCO dated June 16, 2017 even before its implementation without prior approval from NEA which is not compliant with Section 2 of the MOA which requires that the recipient shall use the funds and releases requested by the recipient from NEA solely and exclusively for the projects adverted to in Schedule A.

18.7 In addition, NEA should conduct immediate final inspection of the project, taking into consideration what was occurred in the implementation of the project. We also reiterate our recommendation to demand the CASELCO to liquidate immediately the total amount of P25.112 million by submitting all the required liquidation documents including the Certificate of Final Inspection and Acceptance (CFIA), Accounting of Fund with its supporting documents such as but not limited to official receipts, disbursement vouchers, cash advances made by AFP personnel and its liquidation in hard and soft copy, properly labeled for easy verification to validate the charges made against the subsidy fund.

18.8 Moreover, require the CASELCO to seek post facto approval from NEA on the realigned sitios totaling P3,646,905.11, otherwise, return to NEA the said amount and furnish the COA Office of proof of remittance.

18.9 And lastly, considering that the fund was in the custody of CASELCO for a period of four months prior to transfer to the Engineer Brigade, require the EC to remit to NEA the corresponding interest earned from deposit.

19. The Housewiring Program implemented by the seven ECs was not effective due to deficiencies noted, signifying the poor monitoring by NEA, to wit:

a. Of the 30,559 potential household beneficiaries for the Housewiring Program implemented by the seven ECs with project cost of P76.397 million, 12,274 households were not served and did not benefit from the program, which did not considerably attain the objective of the government to uplift the lives of the rural communities;

b. **Deficiencies were noted in the implementation of the program and not compliant with NEA Memorandum No. 2011-024 which deprived the privilege of the poorest segment in the rural areas from the extended government program; and**

c. **Absence of database of the beneficiaries of the housewiring program is not compliant with NEA Memorandum No. 2011-024, which casts doubt on the reliability of the amount charged to the subsidy fund and the report submitted to NEA.**

19.1 Special Provision No. 1 of the Budgetary Support to Government Corporations of the General Appropriations Act (GAA), FY 2019 for NEA provides:

> *"In the implementation of the Sitio Electrification Projects, the NEA shall observe the following:*
>
> *a. Prioritize sitios where the absolute number of indigents and the incidence of poverty are high as identified in the latest official poverty statistics of the PSA as well as those with the high probability of being energized";*
>
> *xxx*
>
> *Release of funds for Sitio Electrification Projects shall be subject to the submission of a certification from the barangay chairperson on the population and number of houses per sitio, map of the municipality or city indicating the sitios and barangays to be energized and cost of energizing a sitio."*

19.2 Paragraphs 2 - 4 of NEA Memorandum No. 2011-024 dated December 26, 2011 on the implementation of SEP provides that:

> *"The relevance of the electrification system infrastructure can be measured ultimately by the number of connections it generates. And this can be done effectively through a proactive and responsive system of consumer connections. There are several requirements to connect a consumer. The EC can be of much help if it can assist in fast-tracking compliance to required submissions of the Local Government Units (LGUs), including securing waiver on submissions possibly on some."*
>
> *"To further support connection to marginalized consumers, the EC is hereby authorized to include the cost of housewiring materials and labor in the submission of funding request for target sitios for 2012 and onwards. The maximum amount of P2,500 shall be allowed per household to cover two bulbs, two tumbler switches, one outlet and safety switch, and labor. "*
>
> *"Please be informed that NEA through the Institutional Development Department (IDD), requires regular documentation (list of beneficiaries, household connections and load initial kWh reading*

and account number) and submission of activity reports relevant to consumer connections."

19.3 Audit of the Housewiring Program in 2019 implemented by the seven ECs disclosed the following:

a. Of the 30,559 potential household beneficiaries for the Housewiring Program implemented by the seven ECs with project cost of P76.397 million, 12,274 households were not served and did not benefit from the program, which did not considerably attain the objective of the government to uplift the lives of the rural communities.

i. A sitio is considered energized (on-grid) if the potential households (PHHs) were served with the free housewiring materials and labor as follows:

NEA Memorandum No.	Potential No. of Households per Sitio	
	Minimum	Maximum
2011	20	30
2013 -008	30	60 or whichever is lower
2019-001	10	60 or whichever is lower

ii. The approval of ECs Request for Release of Construction Fund (RRCF) or Budget request is reliant to the number of PHHs either 10, 20, 30 or 60 PHHs per sitio depending on the year it was requested. Each PHH is allotted with housewiring materials amounting to P2,500 as provided in NEA Memorandum No. 2011-024 which specifically states the quantities of the materials to be installed and the labor cost. Also, the equivalent 30 meters service drop wires and kWh meters per household (HH) is already included in the construction cost of distribution lines. It was only in 2017 subsidy fund that the Housewiring Program is presented by another MOA.

iii. The ECs audited in 2019 for Housewiring Program for the SEP and BLEP projects disclosed the following:

Region Location/ EC Name	SEP/BLEP Source Fund	No. of Project	No. of NEA's Approved PHH @P2,500 (a)		No. of HH Beneficiaries as of June 30, 2019 @P2,500 (b)		Unserved HH as of June 30, 2019 @P2,500 (c = a-b)	
			Quantity	Amount	Quantity	Amount	Quantity	Amount
a. CAR - IFELCO	2013-16	14	7,408 100%	18,520,000	4,019 54.25%	10,047,500	3,389 45.75%	8,472,500
b. Region III - PELCO I	2012-17	7	842 100%	2,105,000	596** 70.78%	1,490,000	246* 29.22%	615,000
c. Region IV-A QUEZELCO II	2013-17	6	1,524 100%	3,810,000	1,359 89.17%	3,397,500	165 10.83%	412,500
d. Region V - SORECO II	2012 -15	6	7,204 100%	18,010,000	4,139 57.45%	10,347,500	3,065 42.55%	7,662,500
e. Region V - CANORECO	2013-15	7	6,090 100%	15,225,000	3,432 56.35%	8,580,000	2,658 43.65%	6,645,000
f. Region V -	OPAPP	5	836	2,090,000	794	1,985,000	42	105,000

Region Location/ EC Name	SEP/BLEP Source Fund	No. of Project	No. of NEA's Approved PHH @P2,500 (a)		No. of HH Beneficiaries as of June 30, 2019 @P2,500 (b)		Unserved HH as of June 30, 2019 @P2,500 (c = a-b)	
			Quantity	Amount	Quantity	Amount	Quantity	Amount
CASURECO III	2013-18		100%		94.98%		5.02%	
g. Region XI - DORECO	2011-17	16	6,655 100%	16,637,500	3,946 59.29%	9,865,000	2,709 40.71%	6,772,500
Total		**54**	**30,559** **100%**	**76,397,500**	**18,285** **59.84%**	**45,712,500**	**12,274** **40.16%**	**30,685,000**

* out of 246, 215 unserved totaling P537,500 was already deducted in the AF.
**maximum number of households served regardless of funded projects.

iv. Audit of ECs in CY 2019 located in CAR, Regions III, IV-A, V and XI specifically Ifugao, Pampanga I, Quezon II, Sorsogon II, Camarines Sur I, III and Camarines Norte Electric Cooperatives, Inc. showed 30,559 PHHs for 54 SEP/BLEP projects with allocated cost of P2,500 per household or a total of P76,397,500. As of June 30, 2019, as shown in the above table, only 18,285 HHs or 59.84 percent benefitted the program, leaving 12,274 HHs or 40.16 percent unserved. This implies that the Housewiring program did not fully contribute to the attainment of the objective to uplift the lives of the rural communities.

v. The ECs justified that the number of PHHs were not maximized due to the following reasons:

- The number of PHHs in the requested funding for the construction/extension of distribution lines was over projected or merely estimations;

- Not all PHHs could afford or have the financial capability to pay for:

  a. The fees collected by some Local Government Units (LGUs) in securing the necessary documentation such as building, fire, barangay and electrical permits and EC's membership fees; and

  b. The additional cost in excess of free 30-meters service drop wires;

- Beneficiaries' issues on proof of land title or authority from the landowner;

- Some potential beneficiaries could not wait longer for the project approval, so they decided to personally fund their connections;

- Some PHH beneficiaries could not be located at the time of actual housewiring;

- PHHs were not aware of the Housewiring Program extended by the government thru the ECs.

vi. The “willingness to connect” of households remains an issue despite the presence of subsidies for housewiring and other initial household electrification expenses.

vii. Validation by the Audit Team on the list of beneficiaries thru ocular inspection of ECs selected sitios revealed that houses are very rare as compared with the number of PHHs requested for subsidy funding. This showed that the estimated number of PHHs were over projected. The ECs simply allotted the maximum allowable number of PHHs per sitio depending on the year it was requested.

viii. On the overall, the implementation of Housewiring Program by the seven ECs provided by the government for the marginalized consumers was ineffective as some of the identified beneficiaries still have no electrical connections. This indicates poor monitoring by the NEA of this Program.

b. Deficiencies were noted in the implementation of the program and non- compliance with NEA Memorandum No. 2011-024 which deprived the poorest segment in the rural areas to avail the benefits from the extended government program; and

i. Several deficiencies were noted as a result of the interview conducted in some sitios on the implementation of the Housewiring Program, summarized as follows:

Particulars	QUEZELCO II	IFELCO	PELCO I	DORECO	Total
Source Fund	2014 & 2017	2013 & 2014	2014 & 2017	2013-14 & 2017	
Number of Interviewed Household beneficiary (HHB)	119	225	11	114	**469**
Results of Interview:					
a. HHB with connections/ energized	72	191	3	No. of HH not available	**266**
b. HHB with connections/ energized paid labor cost	2	28	none	5	**35**
c. HHB with connections/ energized but received incomplete HW materials during installation	19	none	none	3	**22**
d. HHB not yet connected/energized as of ocular inspection date	19	none	none	none	**19**
e. HHB with connections not given free house wiring materials	4	6	none	1	**11**
f. HHB with connections/ energized at the time of installation but with lacking HW materials	2	none	2	none	**4**

Particulars	QUEZELCO II	IFELCO	PELCO I	DORECO	Total
g. HHB provided with two (2) sets or more than the allotted HW materials	none	none	6	6	**12**
h. HHB who received malfunctioning switch/ short-lived materials	1	none	none	15	**16**
i. HHB paid excessive amounts to electricians who processed the required permits and paid for the corresponding fees on their behalf.	none	none	none	No. of HH not available	**0**
Total	**119**	**225**	**11**	**30**	**385**

ii. The Housewiring Program of Quezon II Electric Cooperative, Inc. (QUEZELCO II), Davao Oriental Electric Cooperative, Inc. (DORECO) and Pampanga I Electric Coopertive, Inc. (PELCO I) were implemented by straight contract while the Ifugao Electric Cooperative, Inc. (IFELCO) implemented the housewiring materials by administration and labor by contract.

iii. No monitoring was conducted by the QUEZELCO II to verify the accuracy of the Accomplishment Reports submitted by the contractor and no assurance that no labor cost was collected from the beneficiaries. In addition, Accomplishment Reports submitted by the contractor to QUEZELCO II were not properly accomplished.

iv. The deficiencies noted showed that no monitoring was being done by the ECs to check if the housewiring program was implemented as agreed in the contract by the ECs and their contractors.

v. The beneficiaries are entitled to quality housewiring materials. Considering that the beneficiaries belong to the marginalized sector, they cannot immediately afford to replace the malfunctioned materials.

vi. The above practices are not compliant with NEA Memorandum No. 2011-024 which deprived the privilege of the poorest segment in the rural areas from the extended government program that will help uplift their lives.

vii. On the overall, the implementation of Housewiring Program by the seven ECs provided by the government for the marginalized consumers was ineffective as some of the identified beneficiaries have no electrical connections and the materials provided were defective. This signifies the poor monitoring by the NEA.

c. **Absence of database of the beneficiaries of the housewiring program is not compliant with NEA Memorandum No. 2011-024, which casts doubt on the reliability of the amount charged to the subsidy fund and the report submitted to NEA.**

i. The accuracy of the beneficiaries of the Housewiring Program cannot be ascertained due to the absence of database of actual recipients of the free housewiring materials and labor cost.

ii. QUEZELCO II and IFELCO have no readily available report on the Status of Implementation of Housewiring Beneficiaries either hard or softcopy that could be updated from time to time. Similarly, IFELCO has no properly accomplished Housewiring Inspection Report as some relevant information/data were not indicated and the reported information were not accurate and reliable.

iii. The above practices cast doubt on the reliability of the charged disbursements in the Accounting of Funds and the submitted number of housewiring beneficiaries of the program to NEA. To ensure the reliability of the submitted reports specifically for government stakeholders that require/need them, such should always be readily available.

19.4 ***We recommended that Management:***

a. Plan or design a mechanism to enhance the effective monitoring of the Housewiring Program implementation to attain the objective of total electrification to help uplift the lives of the marginalized consumers;

b. Direct the ECs to closely monitor the Housewiring Program projects by requiring them to undertake the following:

- ***Return/refund to NEA the equivalent amount of all uninstalled HW materials that were not implemented by the contractors specifically the fully liquidated funds and institute an appropriate course of action against the contractors;***

- ***Pay the contractors only upon verification by the concerned personnel of ECs on the submitted accomplishments as to the names of beneficiaries installed and the completeness of the installed materials as agreed in the contract and in compliance with NEA Memorandum No. 2011-024;***

- ***Identify all beneficiaries who were not provided with the complete housewiring materials specifically the sitios mentioned above and provide them with the lacking materials;***

- ***Ensure that the specification or materials to be installed in the household premises of the beneficiaries are of standard and not defective to fully benefit from the housewiring program;***

- ***Strictly monitor on the work-done and to-be-done by its personnel who were task for the housewiring installation in accordance with the NEA Memorandum 2011-024 and to avoid charging excessive cost of housewiring materials and labor to the beneficiaries; and***

- ***Conduct information dissemination of the free housewiring program during project planning, implementation and Pre-Membership Education Seminar to avoid additional fees incurred by the household beneficiaries.***

c. Require the ECs to assist the households/beneficiaries in securing affordable and hassle-free electricity connections;

d. Direct the ECs to strictly observe the housewiring policy in compliance with NEA Memorandum No. 2011-024; and

e. Direct the ECS to prepare and maintain a database of housewiring beneficiaries on a per sitio and per project basis indicating the following information:

- ***name of beneficiary;***
- ***account number;***
- ***meter number;***
- ***date when beneficiaries were granted and installed with the housewiring materials; and***
- ***date of connection.***

19.5 Management commented that they will plan and design an effective monitoring mechanism for the Housewiring Program. Also, Management submitted a copy of Advisory issued to all electric cooperatives dated June 1, 2020 on the Housewiring Program. In addition, the AMGD submitted photocopies of justification/documents on the updated status of HH connections sent by CANORECO, CASURECO III, IFELCO, DORECO and PELCO I dated July 8, 2020 which are referred to TERED for evaluation.

19.6 As a rejoinder, NEA as the administrator of government funds should monitor the implementation of the subsidy funded projects. As embodied in Section 5 - Rule II of RA 10531, NEA is authorized and empowered to supervise the management and operations of all ECs. Moreover, in the audited ECs for CY 2019, the large numbers of unserved households were subsidy funded from 2011 to 2016, except for DORECO in 2017 with 471 unserved HH or 17.39 percent of its total 2,709 unserved HH. Of the seven ECs audited, only PELCO I deducted in its Accounting of Funds and returned the unserved portion of HH as verified by the Team.

We reiterate our recommendation that NEA direct the ECs to prepare and maintain a database of housewiring beneficiaries on a per sitio and per project basis indicating the information listed above.

We will monitor the proper implementation and return of funds, if any of the Housewiring Program funded by the government thru the NEA. Also, Management's attention is invited to Section 6 of the MOA which states that *"NEA shall institute appropriate actions and/or may suspend release of the subsidy fund in the event of failure of the Recipient to strictly comply with the provisions of this Agreement".*

20. Procurement conducted for subsidy funded projects under the SEP and BLEP by the Bids and Awards Committee (BAC) of the nine ECs were not in accordance with Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR), Section 3 of the MOA between the NEA and ECs, and NEA Memorandum Nos. 2013-028 and 2017-019.

20.1 Section 3 of the MOA signed by NEA and ECs states that:

> *"Procurement of equipment and materials and/or engagement of contractors for the project(s) shall be guided by RA No. 9184 and its Implementing Rules. Xxx"*

20.2 Section 12.2 Rule V of the RIRR of RA 9184 - Bids and Awards Committee states that:

> *"The BAC shall be responsible for ensuring that the procuring entity abides by the standards set forth by the Act and this IRR, xxx."*

20.3 The procurement procedures conducted by the respective BAC of nine ECs[1] audited in CY 2019 were not in accordance with the RIRR of RA No. 9184, as evident in the following:

a. Insufficient or no performance securities were posted by the Contractors in DORECO, IFELCO, PELCO I, QUEZELCO II and SORECO II which was not in accordance with Sections 39.1 and 39.2 of the RIRR of RA 9184.

i. Section 39.1 of the RIRR of RA No. 9184 states that:

> *"To guarantee the faithful performance by the winning bidder of its obligation under the contract in accordance with the Bidding Documents, it shall post a performance security prior to the signing of the contract."*

ii. Section 39.2 also provides that performance security shall be in an amount not less than the required percentage of the total contract price in accordance with the following schedule:

Form of Performance Security	*Amount of Performance Security (Equal to Percentage of the Total Contract Price)*
a) Cash or cashier's/manager's check issued by a Universal or Commercial Bank	

[1] CANORECO, CASURECO I, CASURECO III, DORECO, IFELCO, PELCO I, QUEZELCO II, SAMELCO II and SORECO II

Form of Performance Security	Amount of Performance Security (Equal to Percentage of the Total Contract Price)
b) Bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank: Provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank	*Goods and Consulting Services - Five percent (5%)* *Infrastructure Projects - Ten percent (10%)*
c) Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.	*Thirty percent (30%)*
d) Any combination of the foregoing.	*Proportionate to share of form with respect to total amount of security"*

iii. Winning bidders of the four ECs did not post performance bond while winning bidders of the five ECs posted performance security below the required amount equivalent to the percentage of the total contract price, detailed as follows:

Name of EC	No. of Contracts Reviewed	No. of Winning Bidders that did not Post Performance Security	Performance Security (PS) Posted by the Winning Bidder	Should be PS Per RA No. 9184 (5%/10%/30%)	Variance
DORECO	1	0	22,525.71	77,120.84	(54,595.13)
IFELCO	6	5	1,367,149.86	13,389,917.88	(12,022,768.02)
PELCO I	5	2	1,452,648.37	2,906,596.94	(1,453,948.57)
QUEZELCO II	8	5	756,142.26	6,725,368.27	(5,969,226.01)
SORECO II	9	1	9,389,276.07	32,253,620.17	(22,864,344.10)
Total			**12,987,742.27**	**55,352,624.10**	**(42,364,881.83)**

iv. The practice of non-posting and posting below the required amount of performance security is disadvantageous on the part of ECs should the contractors defaulted in performing their obligation.

b. The contract cost of P2.558 million awarded to the Contractor for the 2012 SEP Batch 1 project for 18 sitios in SORECO II exceeded the Approved Budget for the Contract (ABC) by P148,763, contrary to Section 31.1 of the RIRR of RA No. 9184.

i. Section 31.1 of the RIRR of RA No. 9184 emphasized that:

> *"The ABC shall be the upper limit or ceiling for acceptable bid prices. If a bid price, as evaluated and calculated in accordance with this IRR, is higher than the ABC, the bidder submitting the same shall be automatically disqualified. There shall be no lower limit or floor on the amount of the award."*

ii. Examination of the Accounting of Funds (AFs), bid documents and other related documents revealed that the contract price for the 2012 SEP Batch 1 for labor of extension of single-phase primary and open secondary distribution lines including housewiring installation and hauling cost for 18 sitios project in the amount of P2,481,841.05 exceeded the SORECO II's ABC of P2,409,647.34 or a difference of P148,762.66.

iii. Since the ABC is the ceiling for the acceptable bid price, allowing the purchase or contract amount beyond the limit is not compliant with the aforementioned provision of the RIRR of RA No. 9184, hence, defeated the purpose of the public bidding.

c. **The eligibility of nine Contractors awarded by SORECO II cannot be ascertained due to the non-submission of computation of Net Financial Contracting Capacity (NFCC), hence, not compliant with Sections 23.1, 23.5.1.4 and 23.5.2.6 of RIRR of RA No. 9184.**

i. One of the eligibility criteria required in the procurement of goods and infrastructure project under Sections 23.5.1.4 and 23.5.2.6 of the RIRR of RA No. 9184 is the submission of the computation of prospective bidder's Net Financial Contracting Capacity (NFCC) which must be at least equal to the ABC to be bid, calculated as follows:

> *"NFCC= [(Current Assets minus current liabilities) (K)] minus the value of all outstanding or uncompleted portions of the projects under ongoing contracts, including awarded contracts yet to be started coinciding with the contract to be bid.*
>
> *Where:*
>
> *K = 10 for a contract duration of one year or less, 15 for a contract duration of more than one year up to two years, and 20 for a contract duration of more than two years*
>
> *The values of the bidder's current assets and current liabilities shall be based on the data submitted to the BIR, through its Electronic Filing and Payment System (EFPS)."*

ii. There were nine Contractors of SORECO II which NFCC's computations which must be at least equal to the ABC totaling P179,595,724.65 were not submitted/presented during the review of contracts. This practice is not in conformity with Sections 23.1, 23.5.1.4 and 23.5.2.6 of RIRR of RA No. 9184, hence, their eligibility could not be ascertained.

e. **The posting of Bid Security were not required in the CASURECO I, IFELCO and QUEZELCO II contracts under SEP and BLEP projects. Further, the amount of Bid Security posted by the bidders were less than the required percentage of the ABC or the Bid Security paid/issued by contractors were converted/used as part of Performance Security, which is not in conformity with Sections 27.1, 27.2 and 28.1 of the RIRR of RA No. 9184.**

i. Sections 27.1, 27.2 and 28.1 of RIRR of RA No. 9184 states that:

"27.1 All bids shall be accompanied by a bid security, payable to the Procuring Entity concerned as a guarantee that the successful bidder shall, within ten (10) calendar days from receipt of the notice of award, enter into contract with the Procuring Entity and furnish the performance security required in Section 39 of this IRR, except when Section 37.1 of this IRR allows a longer period. Failure to enclose the required bid security in the form and amount prescribed herein shall automatically disqualify the bid concerned.

27.2 The bidder shall submit a Bid Securing Declaration, or any form of Bid Security, in an amount not less than the required percentage of the ABC in accordance with the following schedule:

Form of Bid Security	***Amount of Bid Security (Not less than the required percentage of ABC)***
a) Cash or cashier's/ manager's check issued by a Universal or Commercial Bank. xxx.	
b) Bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank: Provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank. xxx.	*Two percent (2%)*
c) Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.	*Five percent (5%)*

28.1 Bids and bid securities shall be valid for a reasonable period as determined by the HoPE concerned, which shall be indicated in the Bidding Documents, but in no case shall the period exceed one hundred twenty (120) calendar days from the date of the opening of bids."

ii. Seven contracts of CASURECO I were not covered with Bid Security, hence, entering into a contract with the winning bidders is not guaranteed, which is not in accordance with the above-mentioned Section 27.1 and 27.2 of RIRR of RA No. 9184.

iii. Bid Securities posted by two bidders in IFELCO amounting to P836,200.00 was less than the required percentage of two percent of ABC amounting to P1,719,625.03 or a difference of P883,425.03.

iv. In QUEZELCO II, four projects awarded to contractors were not covered with Bid Security. Also, the Bid Security paid/issued by contractors for the other four projects totaling P782,159.15 were converted/used as part of

Performance Security which is not in conformity with the provisions of Sections 27.1 and 28.1 of the RIRR of RA No. 9184.

f. **The payments made by IFELCO for the construction of distribution lines under 2013 SEP projects amounting to P14.424 million through "Pakyaw" contract were not in accordance with the Revised Guidelines for the Implementation of Infrastructure Projects by Administration under Sections 4.1 and 4.8, Appendix 1 of the RIRR of RA No. 9184.**

i. Sections 4.1 and 4.8, Appendix 1 of the RIRR of RA No. 9184 on the Revised Guidelines for the Implementation of Infrastructure Projects by Administration provide the following:

> *"4.1 Pakyaw labor shall be drawn from the vicinity of the project, or Pakyaw labor groups belong to various Barangay Associations contiguous to the project site. Xxx.*
>
> *4.8 The amount of a pakyaw labor contract per project shall not exceed Five Hundred Thousand Pesos (P500,000.00) per pakyaw group."*

ii. The procurement for the construction of distribution lines of sitios in 11 covered municipalities under 2013 SEP project was implemented by IFELCO through "Pakyaw" contracts conducted thru public bidding and participated by 42 bidders in each of the 11 municipalities within Lagawe area. The Minutes of BAC Meetings manifest that Section 48 of RIRR of RA No. 9184 on the Alternative Method of Procurement was deliberated and agreed upon as the mode of implementation.

iii. However, most "pakyaw" groups were not supported with a list of "pakyaw" group members which precluded verification whether members of the "pakyaw" group were drawn from the vicinity of the project as required under Sections 4.1, Appendix 1 of the RIRR of RA No. 9184.

iv. Furthermore, the implementation of the contracts exceeded the allowable amount of P500,000.00 per "pakyaw" group, as shown below:

Pakyaw Group	Date of Contract	Municipality	Contract Amount (a)	Allowed Pakyaw Contract Amount (b)	Excess Amount c=(a-b)
1	09/13/13	Alfonso Lista	848,000.00	500,000.00	348,000.00
2	09/13/13	Asipulo	854,000.00	500,000.00	354,000.00
3	09/13/13	Tinoc	830,000.00	500,000.00	330,000.00
4	09/13/13	Banawe	937,935.00	500,000.00	437,935.00
5	09/13/13	Lamut	2,141,965.00	500,000.00	1,641,965.00
6	09/13/13	Aguinaldo	696,892.50	500,000.00	196,892.50
7	09/13/13	Lagawe	1,700,000.00	500,000.00	1,200,000.00
8	10/4/13	Kiangan	4,550,000.00	500,000.00	4,050,000.00
9	10/6/13	Mayoyao	756,000.00	500,000.00	256,000.00
10	10/7/13	Hingyon	549,000.00	500,000.00	49,000.00

Pakyaw Group	Date of Contract	Municipality	Contract Amount (a)	Allowed Pakyaw Contract Amount (b)	Excess Amount c=(a-b)
11	10/17/13	Hundungan	560,000.00	500,000.00	60,000.00
Total			**14,423,792.50**	**5,500,000.00**	**8,923,792.50**

v. Review of the check vouchers/documents on payments of the abovementioned "pakyaw" contracts lacked the "pakyaw" contractors proof of receipts and background of information of their identity. However, the "Pakyaw" Groups or payees signed the received portion of the Check Vouchers.

g. Deficiencies were noted in the compliance with the bidding process as well as its documentation in CASURECO III, DORECO, IFELCO, QUEZELCO II and SAMELCO II.

i. Review of the bidding process as well as its documentation revealed the following deficiencies:

Type of Documents	RIRR of RA No. 9184/ NEA Memorandum	Name of EC	Deficiencies
BAC Resolution Recommending the Award	*Section 37.1.1 of RA No. 9184*	CASURECO III	Post-Qualification Report and a Recommendation for the Award were used as the basis for issuing Notice of Award (NOA) to the bidder with Lowest Calculated Responsive Bid (LCRB) instead of BAC Resolution recommending the award.
Invitation to Third Party Observers	*Section 13 of the RIRR of RA No. 9184*	DORECO IFELCO QUEZELCO II	Third-party observers were not invited to attend the pre-bid conference and opening of bids.
Invitation to Bid	*Section A.2 of NEA Memorandum No. 2017-019 on Guidelines on Public Bidding provides that:*	DORECO	Invitation to Bid was not posted in DORECO's website and all its franchise area coverage.
Bidding Documents	*Section 17.1 under Rule VI (Preparation of Bidding Documents) of the RIRR of RA No. 9184*	DORECO	No Bid Documents were prepared in the procurement of subsidy projects.
Receipt and Opening of Bids	*Sections 25.1, 25.4 and 25.5 under Rule VIII (Receipt and Opening of Bids) of the RIRR of RA No. 9184*	DORECO	• Bid Proposals in two separate sealed bids by the bidders were not submitted simultaneously on or before the deadline for submission of bids. • The deadlines for submission and receipt of bids were not synchronized with the time of the opening of bids.

Type of Documents	RIRR of RA No. 9184/ NEA Memorandum	Name of EC	Deficiencies
Notice of Award and Notice to Proceed	*Section 37.1 on the Notice and Execution of Award of the RIRR of RA No. 9184*	DORECO	NOA and Notice to Proceed (NTP) were issued on the same date for five winning bidders under 2017 SEP project.
		IFELCO	The NTP for nine lots from four contractors had been issued prior to the signing of contract ranging from three to nine days.
		SAMELCO II	The date of the NTP issued to each of the three winning bidders with a total contract price of P8,323,786.50 precedes the date of the related contract
		SORECO II	The issuance of NTP on one contract was late. While compliance with the required timeline for the issuance of NTP on the other one contract was not determined due to unsubmitted NTP.
	Section 37.4.1 of RA No. 9184	DORECO	The resulting agreement between DORECO and the winning bidder in the procurement of materials was in the form of Purchase Order and not Contract.
			The contracts of five winning bidders under 2017 SEP project were perfected only after 40-173 days from the date of issuance of the NOA.
Contract	*Section 27.2.1 under Rule XI (Award, Implementation and Termination of the Contract) of the RIRR of RA No. 9184*	IFELCO	The contracts for the procurement of eight lots of materials and labor from four Contractors were not entered within 10 calendar days from receipt of NOA, hence incurred delays ranging from four to five days.
	Section 37.2 on the Contract Signing of the RIRR of RA No. 9184	SORECO II	The signing of three contracts was late. While compliance with the required timeline for the signing of the other two contracts was not determined due to either undated or unsubmitted NOA.

h. The laxity in the processing and awarding of contracts by the BAC of CANORECO, DORECO, IFELCO, PELCO I, SAMELCO II and SORECO II resulted in lacking documentary requirements as required under the RIRR of RA No. 9184. Moreover, documents for the procurement procedures of CASURECO III were not submitted, thus, compliance with the RIRR of RA No. 9184 cannot be determined.

i. Review of the bid documents of the winning bidders of the six ECs revealed that the documentary requirements required under the RIRR of RA No. 9184 were lacking and incomplete. The required documentary requirements are summarized as follows:

	Documentary Requirements	***Criteria: Provisions of the RIRR of RA No. 9184***
a.	*Bidding Documents;*	*Rule VI Section 17*
b.	*Invitation to Apply for Eligibility and Bid;*	*Rule VII*
c.	*Certificate of Availability of Funds;*	*Section 20.1.c(i)*
d.	*Minutes of Pre-bid Conference, if applicable*	*Section 22.4*
e.	*Supplemental Bid Bulletins, if any;*	*Section 22.5*
f.	*Eligibility Requirements;*	*Section 23*
g.	*Bidder's Technical and Financial Documents;*	*Section 23.1*
h.	*Minutes of Bid Opening;*	*Section 29*
i.	*Checklist of Required Documents using a non-discretionary "pass/fail" criteria*	*Section 30.1 Rule IX*
j.	*Abstract of Bids;*	*Section 32.3*
k.	*Post Qualification Report of Technical Working Group;*	*Rule X*
l.	*Notice of Post-Qualification by BAC-TWG;*	*Section 34.2*
m.	*BAC Resolution declaring winning bidder;*	*Section 34.4*
n.	*Notice of Award;*	*Section 37*
o.	*BAC Resolution recommending approval;*	*Section 37.1.1*
p.	*Contract Agreement;*	*Section 37.2.1*
q.	*Notice to Proceed*	*Section 37.4*
r.	*Performance Security;*	*Section 39*
s.	*Such other documents pertinent to the contract*	

ii. Listed on the next page is the Table which enumerates the lacking/unsubmitted documentary requirements by the ECs:

Documentary Requirements	CANORECO				DORECO			IFELCO		PELCO I				SAMELCO II	SORECO II				CASURECO III
	2012 SEP	2013 SEP	2014 SEP		2013-2017 SEP	2014 SEP	2017 SEP	2014 SEP	2014-2015 SEP	2012 SEP	2013 SEP	2017 SEP	2017 SEP	2016 NHA Yolanda	2012 SEP	2013 SEP	2014 GAA	2015 SEP	2013 SEP
	30 sitios	52,12, & 81 sitios	16 sitios	23 & 40 sitios			Lot 1 to 5	a/	b/	6, 2 & 3 sitios	11 &2 sitios	10 sitios	7 sitios	c/	18 sitios	25 & 23 sitios	71 sitios	53 & 44 sitios	5 sitios
a. Bidding Documents;	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X
b. Invitation to Apply for Eligibility and Bid;		X	X	X	X	X	X	X	X	X	X	X	X					X	X
c. Certificate of Availability of Funds;	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
d. Minutes of Pre-bid Conference, if applicable		X	X	X	X	X	X			X	X	X	X		X	X		X	X
e. Supplemental Bid Bulletins, if any;	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
f. Eligibility Requirements;	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X
g. Bidder's Technical and Financial Documents;	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				X
h. Minutes of Bid Opening;		X	X	X	X	X	X			X	X	X	X	X	X	X	X	X	X
i. Checklist of Required Documents using a non-discretionary "pass/fail" criteria	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
j. Abstract of Bids;		X	X	X	X	X	X	X	X		X	X	X	X					X
k. Post Qualification Report of Technical Working Group;	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X
l. Notice of Post-Qualification by BAC-TWG;	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
m. BAC Resolution declaring winning bidder;	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X		X
n. Notice of Award;	X	X		X	X	X		X	X		X				X				X
o. BAC Resolution recommending approval;	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X		X
p. Contract Agreement;					X	X	X	X	X						X				X
q. Notice to Proceed	X	X		X	X	X		X	X	X	X				X				X
r. Performance Security;	X	X	X	X	X		X	X	X		X			X	X				X
s. Such other documents pertinent to the contract	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

a/ - Supply and delivery of various electrical and housewiring materials
b/ - Procurement of labor, freight and handling
c/ - Extension of distribution line in Marabut Ville, Site I, Tagalag, Marabu

20.4 ***We recommended that Management require the ECs to strictly observe the provisions of RIRR of RA No. 9184, specifically on the following:***

a. ***Ensure that all contracts awarded are supported with adequate performance security as required in Sections 39.1 and 39.2 of the RIRR of RA No. 9184;***

b. ***Compel bidders to submit a Bid Securing Declaration or any form of Bid Security as provided under Section 27.2 of the RIRR of RA 9184;***

c. ***Ensure that all contracts awarded are within the ABC;***

d. ***Ensure that Bid Documents submitted are supported with computation of Net Financial Contracting Capacity (NFCC);***

e. ***Comply with the provisions of the RIRR of RA No. 9184 specifically the implementation of subsidy funded project through "Pakyaw System";***

f. ***Invite observers to witness the conduct of public bidding to enhance transparency in conformity with Section 13 of the RIRR of RA No. 9184 and Sections O and P of NEA Memorandum Nos. 2013-028 and 2017-019, respectively;***

g. ***Post the Invitation to Bid in EC's website and all the municipalities of all its franchise area coverage in compliance with Section 21.2 of the RIRR of RA 9184 and Section A.2 of NEA Memorandum No. 2017-019;***

h. ***Prepare the Bid Documents in accordance with Section 17.1 of the RIRR of RA No. 9184;***

i. ***Require the ECs to accept only bid proposal where the first and second envelopes are simultaneously submitted on or before the deadline for submission and receipt of bids in conformity with Sections 25.1, 25.4 and 25.5 of the RIRR of RA No. 9184;***

j. ***Synchronize the opening of bids with the deadline for submission and receipt of bids in adherence to Section 29 of the RIRR of RA No. 9184;***

k. ***Prepare a contract instead of a purchase order in the procurement of subsidy funded projects pursuant to Section 27.2.1 of the RIRR of RA No. 9184 to protect the interest of the recipient EC and ensure compliance by the winning bidder to all provisions thereto;***

l. ***Instruct the BAC to issue a Resolution recommending the award with the LCRB to the HoPE or his duly authorized representative as the basis for approval pursuant to Section 37.1.1 of the RIRR of RA No. 9184;***

m. ***Issue the Notice to Proceed to the winning bidder only after posting of the performance security and contract signing as required in Sections 37.2 and 37.4 of the RIRR of RA No. 9184;***

n. ***Adhere to the prescribed timeline on signing/awarding of the contract and issuance of the Notice to Proceed to expedite the timely completion of the projects; and***

o. ***Exercise prudence in accepting documents from the contractor/winning bidders to fully comply with all the documentary requirements on the procurement as prescribed in the RIRR of RA No. 9184 and NEA Memorandum Nos. 2013-028 and 2017-019.***

20.5 Management submitted a copy of Advisory issued to all electric cooperatives dated June 1, 2020 on the implementation of RA No. 9184 for the subsidy funded projects.

20.6 As a rejoinder, we will monitor the implementation of the RIRR of RA No. 9184 and the MOA, particularly inviting attention to Section 6 of the MOA which states that *"NEA shall institute appropriate actions and/or may suspend release of the subsidy fund in the event of failure of the Recipient to strictly comply with the provisions of this Agreement".*

21. The Certificate of Final Inspection and Acceptance (CFIA) issued to the ECs audited in CYs 2019-2020 had the following deficiencies:

a. The CFIAs were not issued separately by the NEA Representative/s for completed projects under SEP/BLEP and CFIAs were issued despite the noted deficiencies such as:

- **Minor defects for ECs adjustment/correction;**
- **Deficiencies in the As-Built Staking Sheet/s;**
- **Construction still on-going or completion of the project was partial; and**
- **Realigned/replaced sitios/barangays were included but not yet approved by NEA or for NEAs approval;**

b. CFIA attached to the liquidation documents was not signed by NEA Representative, thus, not valid; and

c. As-Built Staking Sheets used to conduct final inspection and basis in the issuance of CFIAs were not signed by the NEA Representative/s;

21.1 A Certificate of Final Inspection tells that the project is 100 percent completed and the Certificate of Acceptance may only be issued if true and complete copies of the plans, specifications and other related contract documents relative to the projects have been furnished the NEA or its Representatives from the commencement of work, and when, upon exercise of due diligence, they determine in good faith that said projects were fully completed strictly in accordance with such plans, specifications, and other related contract documents.

21.2 Review of the CFIAs attached to the liquidation documents of the following electric cooperatives showed the following**:**

	Region	EC Name		No. of CFIAs Reviewed
1	BARMM	Lanao del Sur Electric Cooperative, Inc.	LASURECO	3
2	BARMM	Maguindanao Electric Cooperative, Inc.	MAGELCO	18
3	BARMM	Sulu Electric Cooperative, Inc.	SULECO	5
4	BARMM	Tawi-Tawi Electric Cooperative, Inc.	TAWELCO	7
5	BARMM	Basilan Electric Cooperative, Inc.	BASELCO	12
6	CAR	Ifugao Electric Cooperative, Inc	IFELCO	4
7	XI	Davao Oriental Electric Cooperative, Inc.	DORECO	36
Total				**85**

a. CFIAs were not issued separately for the completed SEP/BLEP projects.

i. The concerned personnel of the Total Electrification and Renewable Energy Development Department (TEREDD) performs the task to conduct the final inspection and acceptance of the subsidy funded project. As proof of accomplishment, only one certificate document and no separate certificate document for the CFIA was issued. It is signed and issued on the date of the actual inspection or the last day of fieldwork in the ECs.

ii. To conduct a final inspection of the rural electrification projects specifically the SEP/BLEP or calamity grants for the rehabilitation of distribution lines, the As-Built Staking Sheet (SS) of the completed project is the key requirement document. It is a document that contains the technical data or network information and material requirements for the construction and rehabilitation/restoration of distribution lines.

iii. When final inspection is done, the CFIA is prepared. In the certification, the sitios/barangays are numerically listed indicating side by side the date completed, date energized, date inspected and a column for remarks to be signed by NEA representative/s and ECs authorized officials.

iv. As a result of the conducted inspection of the SEP/BLEP project, a Mission Report is prepared by NEA representative indicating the tasks performed in the assigned EC particularly the list of inspected sitios/barangays and submits to his immediate supervisor for notation and approval.

v. Based on the CFIAs of seven ECs reviewed, SEP/BLEP projects with deficiencies were included in the CFIAs paragraph which stated that the sitios/barangays of a specific project were "inspected/verified and found to be 100% completed/energized in accordance with NEA standards and *specifications and/or except with*…".

vi. Of the 85 CFIAs reviewed, only 12 CFIAs were in order or 100 percent completed/energized in accordance with NEA standards and specifications of which 11 CFIAs were from DORECO and 1 from MAGELCO. On the other hand, 73 CFIAs of the inspected SEP/BLEP projects have deficiencies/defects or minor revisions as indicated therein.

vii. Forty-eight (48) CFIAs pertained to the deficiencies in the As-Built Staking Sheet/s. Inquiry from the concerned personnel of the Total Electrification Division (TED) revealed that some of these deficiencies pertained to the design specified in the As-Built Staking Sheets against the actual design per inspection such as pole assembly, etc.

viii. The NEA representative/s make recommendations to the ECs on the deficiencies/defects observed which were required to be repaired by the ECs or its contractor. However, despite the defects or deficiencies, the NEA representative/s, issued immediately the CFIA without waiting for the ECs or its contractor to repair/rectify the defects.

ix. The EC or its contractors shall undertake the repair works of any damage for the SEP/BLEP projects on account of the use of materials of inferior quality and such other defects noted during the period. When the defects are repaired, then, that is the time that the certificate of acceptance is issued.

x. This practice of project acceptance even with deficiencies showed that NEA's concerned personnel did not observe the defects liability period (DLP). Section 62.2.2 of the 2016 RIRR of RA No. 9184 provides that "warranties shall be made one (1) year from project completion up to final acceptance or the defects liability period".

xi. Moreover, four ECS with projects not yet completed or construction on-going were accepted.

xii. There were two ECs with realigned/replaced sitios/barangays included in the CFIAs which showed no approval from NEA or still with remarks for Board Resolution.

b. CFIA not signed by NEA Representative

i. One CFIA attached to the liquidation documents of MAGELCO was not signed by NEA Representative, to establish the validity of claims.

21.3 ***We recommended that Management:***

a. Issue CFIA when sitios/barangays within the project are fully completed/energized in accordance with NEA standards and specifications and free from any defects/deficiencies or issue a separate Certificate of Final Inspection when the project is completed and Certificate of Acceptance when the defects, if any are corrected/rectified within the defects liability period;

b. Ensure that only sitios/barangays of completed projects with no defects/deficiencies or after all the rectifications or repair have been made are issued with Certificate of Acceptance;

c. ***Ensure that only those realigned sitios/barangays with NEA's approval are included in the CFIA; and***

d. ***Attach duly signed CFIA in the liquidation documents.***

21.4 Management commented that they will discuss the recommendations to the Cluster on Total Electrification. The changes will also be adapted in the Quality Management System for the Implementation of Sitio Electrification Program and Barangay Line Enhancement Program for the Total Electrification Division.

As-Built Staking Sheets used during the conduct of Final Inspection and Acceptance were signed by NEA Inspection Team and is attached in the After Mission Report. The recommendation will be reiterated to the NEA Inspection Team. The Certificate of Inspection and Acceptance has been revised.

21.5 As a rejoinder, the As-Built Staking Sheets used by the Audit Team during ocular inspection of completed projects were those attached in the submitted supporting documents for liquidation or requested directly from the concerned ECs. We have noted that these were not signed by the NEA Inspection Team. Thus, we reiterate our recommendations that As-Built Staking Sheets used in the conduct of final inspection should be signed by the NEA Inspection Team and must be dated and that any defects or deficiencies noted should be stated and the said Staking Sheets be submitted to support the liquidation to NEA.

C. GENDER AND DEVELOPMENT (GAD)

22. NEA's implementation of Gender Mainstreaming was with several deficiencies such that GAD budget allocation for CY 2019 was below the required five percent of total appropriations, GAD database/sex disaggregated data was not established, Gender Audit was not conducted and GAD Plan and Budget (GPB) was not approved/endorsed by the Philippine Commission on Women (PCW), thus, remained unaccomplished, resulting in the non-attainment of the desired outcomes for GAD.

Likewise, four GAD activities planned for CY 2019 were not implemented, expenses related to non-GAD activities were allocated to GAD, the GAD Accomplishment Report (AR) submitted was not accompanied by the required documents and the GAD AR Actual Results column did not provide a description of the change that has occurred after implementing the GAD PAPs.

22.1 Section 3.0 of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting Guidelines which discussed the importance of mainstreaming gender perspectives in the agency PAPs not only to be able to achieve the five percent GAD budget allocation but more importantly, to attain the desired outcomes of GAD i.e. to ensure that the different concerns of women and men are addressed equally and equitably in the agency PAPs.

22.2 The Gender Mainstreaming Evaluation Framework (GMEF) which was enhanced in 2014 discussed that in order to effectively pursue gender mainstreaming, agencies are required to ensure that the following essential elements are available: (1) GAD Planning and Budgeting; (2) GAD Focal Point System; (3) Sex-Disaggregated Database; and (4) Conduct of Gender Audit.

22.3 Audit of GAD for CY 2019 revealed the following:

a. NEA's adjusted GAD budget allocation for CY 2019 amounting to P434.800 million was below the five percent requirement under PCW-NEDA-DBM Joint Circular No. 2012-01.

i. Section 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 states 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 personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations."* (Emphasis supplied)

ii. Section 1.2.3.1 (Budget Attribution Using the HGDG) of PCW Memorandum Circular No. 2017-03 provides that:

> *"As provided under Section 36(a) of the MCW, the GAD budget, which is the cost of implementing GAD programs, **shall at least be five percent (5%) of the agency's total budget appropriations.**"* (Emphasis supplied)

iii. NEA's total budget appropriation for CY 2019 amounted to P19,054,839,000.00, detailed as follows:

Program/Activity/Project	Amount
General Administration and Support	97,069,000.00
Support to Operations	15,249,249,000.00
Operations	175,938,000.00
Locally-Funded Projects	2,617,944,000.00
Debt Servicing	914,639,000.00
Total	**19,054,839,000.00**

iv. The budget allocation for GAD per revised 2019 GPB submitted to PCW amounted to P866,272,179.09 representing 4.55 percent of the total budget. However, recomputation of the attribution of the Sitio Electrification Program (SEP) showed that the total budget allotted for GAD was decreased to P434,800,179.09, computed as follows:

GAD Activity	Amount
Organization-Focused	P 2,707,179.09
Client-Focused	621,000.00
Attribution- SEP	*431,472,000.00
Total	**P434,800,179.09**

** Adjusted allocation*

v. The total adjusted GAD allocation totaling P434,800,179.09 is equivalent to only 2.28 percent, which is not compliant with the minimum requirement of 5.0 percent of P19,054,839,000.00 or P952,741,950.00.

vi. From CYs 2014 to 2019, the budget allocation for GAD compared with the total budget appropriation is as follows:

Year	GAD Budget	Total Budget Appropriation	%
2014	4,862,540.00	13,340,438,000.00	0.04
2015	2,395,095.00	7,630,915,000.00	0.03
2016	7,732,200.00	7,114,766,000.00	0.11
2017	5,037,200.00	11,084,332,000.00	0.05
2018	547,400.00	2,933,564,000.00	0.02
2019	434,800,179.09	19,054,839,000.00	2.28
Average	**75,895,769.02**	**10,193,142,333.33**	**0.42**

vii. The average percentage of 0.42 percent of the annual GAD budget to the total budget appropriation for six years indicated that the agency major projects, activities and programs (PAPs) were not allocated to GAD.

viii. It was only in CY 2019 when NEA attributed the Sitio Electrification Program (SEP) wherein the annual GAD budget for the year was able to reach 2.28 percent of the total budget appropriation

ix. Interview with NEA GFPS disclosed that they were able to attribute the SEP to GAD since the seminar or training was conducted earlier in the year on how to utilize the HGDG test.

x. It is to be stressed that the Manual on HGDG was made available since 2010. Hence, NEA GFPS should have undertaken immediately the training or seminar on how to use the Manual so that the agency major PAPs are subjected to the test for possible attribution to GAD leading to responsive gender mainstreaming.

b. GAD database/sex disaggregated data was not established, which indicate ineffective GAD planning.

i. Paragraph 4 of the PCW Memorandum Circular No. 2014-05 dated November 28, 2014 states that:

> *"xxx **all government agencies mandated to implement provisions of the MCW and its Implementing Rules and Regulations (IRR) are enjoined to generate timely, accurate and sex-disaggregated data** support to the MCW indicators (attached to this Memorandum Circular) according to the following:*
>
> *1. Agencies shall regularly collect and generate sex-disaggregated data and statistics in support of the MCW*

indicators relevant to their agency. Such data shall be stored and maintained in the agency's GAD database or similar system, updated as needed, and used in their policy and program development to address gender issues in their respective sectors, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports; xxx" (Emphasis supplied)

ii. NEA GAD activities and accomplishments for CY 2019 disclosed that sex disaggregated data was not yet fully established despite the conduct of workshops and seminars on gender analysis and gender mainstreaming from CYs 2016-2019. Nevertheless, NEA submitted its 2019 employees profile but contains information only on the sex and age of the employees.

iii. It is important to note that the gender issues shall be sourced not only from the agency's review of its flagship or regular programs, but also from the analysis of sex disaggregated data or relevant information that surface the unequal situation of women and men.

iv. The absence of the sex disaggregated data likewise affected the agency's conduct of gender analysis and identification of gender gap which are necessary in the preparation of gender-responsive PAPs to address the identified gender issues.

v. On the other hand, the above cited Memorandum Circular likewise provided that the necessary resources for the collection, generation and maintenance of the required data shall be charged to the agency's annual GAD budget following the guidelines set by the PCW, the NEDA and the DBM.

c. Gender Audit was not conducted, an indication of poor monitoring of effectiveness of agency gender mainstreaming.

Review of NEA GAD activities and accomplishments from CYs 2014-2019 disclosed that gender audit was not conducted. At this juncture, it is essential for the agency to invest and commit to intensive capacity building of the GFPS to be successful in gender mainstreaming. Hence, orientations and trainings on GAD aspects shall be prioritized and henceforth, regularly undertaken to achieve the objective of incorporating GAD into the regular activities of the agency.

d. The GPB was not approved/endorsed by the PCW.

i. PCW Memorandum Circular No. 2017-03 dated September 29 2017 provides that it shall endorse the FY 2019 GPB under the following conditions: (a) **If the requested revisions (if any) in the GPBs have been complied by the agency or the regional office within the prescribed deadline**; and (b) If the FY 2017 GAD AR has been submitted. PCW-endorsed GPBs shall be authenticated by the Gender Mainstreaming Monitoring System (GMMS) with a barcode. Concerned agencies shall print the endorsed GPB for signature of their agency head and submit signed copies to PCW and their respective COA Audit Team within 5 working days from endorsement." (Emphasis supplied)

ii. In January 30, 2018, NEA through the GMMS submitted its 2019 GPB to the PCW. However, the revised 2019 GPB was submitted by NEA thru a formal letter to PCW only in August 27, 2019.

iii. It took NEA, a total of 417 days to resubmit its revised 2019 GPB from PCW's e-mail requiring the submission of the required documents. It is worthy to note that NEA is given only a period of 30 days by PCW to comply with the requirements and resubmit its revised GPB as provided under Section 8.5 of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting Guidelines which states:

> *"PCW shall acknowledge in writing receipt of the GPBs within two (2) working days. It shall then review and inform the agency of its comments or action on the GAD plans within fifteen (15) working days.* ***If there are revisions to be made or questions to be answered about the submissions, the agency shall be given thirty (30) days to resubmit the GPB****. xxx"* (Emphasis supplied)

iv. Hence, the late submission of the revised GPB may have prompted PCW not to endorse NEA's GPB for CY 2019 as provided under Section 1.2.3.3.1 of PCW Memorandum Circular No. 2017-03.

e. Four GAD activities planned for CY 2019 were not implemented.

i. Section 9.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 provides that:

> *"Upon receipt of the letter of endorsement from PCW and or the adjusted GPB, the agency head shall issue an appropriate policy directive, copy furnished PCW, to disseminate and* ***implement*** *the GPBs. The directive shall mandate the agency GFPS to: a) provide technical assistance, as needed, to attached agencies, bureaus and regional offices in the implementation of the GPBs;* ***b) monitor its implementation;*** *c) ensure the preparation and submission of GAD ARs; and d) consolidate reports on the implementation of the GPBs."* (Emphasis ours)

ii. For CY 2019, NEA spent P499,639.46 on its organization-focused activities and attributed SEP for an adjusted amount of P431,472,000.00 or a total of P431,971,639.46. It has implemented 11 of the 15 planned projects while four were not implemented.

iii. The issues/concerns relative to the non-implementation of some GAD activities can be addressed through proper planning by the NEA GFPS.

iv. The GFPS as required by the PPGD as well as PCW-NEDA-DBM Joint Circular 2012-01 shall be equipped with the gender capacity such as the application of gender analysis tools and a sustained capability building program in order to effectively catalyze and implement the planned GAD PAPs.

f. Expenses related to non-GAD activities totaling P33,025 were allocated to GAD.

i. Item f under Annex D of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting guidelines provides that:

> *"Gender-responsive PAPs refer to interventions that substantially address gender issues identified through gender analysis of sex-disaggregated data and gender-related information."*

ii. Review of the GAD AR revealed that the CSC-sponsored activity - 2019 R.A.C.E. to Serve Fun Run with a theme entitled, "Civil Service at 119: Upholding Integrity and High-Trust Society" was reported where expenses incurred totaled P33,025.00.

iii. The proceeds from the activity shall go to the Pamanang Lingkod Bayani (PLBi) program, which honors civil servants who died in line of duty.

iv. It is clear that the said activity does not fall under the gender-responsive PAPs such that no gender issue was addressed and the same cannot be attributed as part of the GAD accomplishment.

v. Participation in activities and programs sponsored by government agencies can be reported as part of the GAD AR only if these are GAD-related.

g. The GAD Accomplishment Report (AR) submitted was not accompanied by the required documents.

i. Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 on the Annual GAD Planning and Budgeting Guidelines provides that:

> *"The annual GAD AR shall be accompanied by the following: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any."*

ii. Review of the GAD AR disclosed that only the accomplished template was submitted.

iii. The above supporting documents are required to be submitted as support to the information reported in the GAD AR.

h. **The GAD AR Actual Results column did not provide a description of the change that has occurred after implementing the GAD PAPs.**

i. Column 7 (Actual Results) under Annex B of PCW-NEDA-DBM Joint Circular No. 2012-01 provides that:

> *"xxx It shall provide a description of the change that has occurred after implementing a particular GAD activity. xxx"*

ii. Review of the GAD AR disclosed that the Actual Results column of the report only listed the activities conducted and outputs/outcomes without providing a description or a narrative of the changes that has occurred after the implementation of the GAD PAPs.

22.4 ***We recommended that Management:***

a. Study the possible attribution to the GAD budget of other locally funded projects duly subsidized by the National Government to achieve the five percent budget requirement under PCW-NEDA-DBM Joint Circular No. 2012-01;

b. Provide reasonable budget or estimate in the preparation of annual GAD budget in accordance with Annex A of PCW-NEDA-DBM Joint Circular No. 2012-01;

c. Establish a sex disaggregated data thru conduct of survey in compliance with PCW Memorandum Circular No. 2014-05 to assist in gender analysis and identification of gender gaps;

d. Conduct Gender Audit as required by Section 4.3 of PCW-NEDA-DBM Joint Circular No. 2012-01 to properly monitor the effectiveness of gender mainstreaming in the agency;

e. Submit the GAD Plan and Budget (GPB) on or before the deadline set by the Philippine Commission on Women (PCW) based on its annual guidelines;

f. Strictly monitor the 30-day deadline set by the PCW in the compliance of requirements and resubmission of revised GPB, if any, in conformity with Section 8.5 of PCW-NEDA-DBM Joint Circular No. 2012-01 to avoid non-endorsement of the GPB;

g. Follow the annual guidelines prescribed by the PCW in the allocation of agency major programs to the GAD budget;

h. Accompany the GAD AR with the required supporting documents pursuant to Annex B of PCW-NEDA-DBM Joint Circular No. 2012-01;

i. Refrain from reporting non-GAD activities in the GAD AR;

j. ***Prioritize the capacity building program for the GAD Focal Point System (GFPS) as required by the Philippine Plan for Gender-Responsive Development for 1995-2025 and PCW-NEDA-DBM Joint Circular No. 2012-01; and***

k. ***Provide a description of the change that has occurred after implementing the GAD activities in the GAD AR Actual Results column prescribed in Column 7 under Annex B of PCW-NEDA-DBM Joint Circular No. 2012-01.***

22.5 Management submitted the following comments:

a. The newly Reconstituted GAD Focal Point System (GFPS) already had an initial discussion/ computation on February 24, 2020 on the possible attribution to the GAD Budget to achieve the desired 5 percent requirement.

b. It was noted that the cause of non-implementation of some activities was due to non-reflective to Departmental Scorecard.

c. The NEA Departments/Offices/Units concerned to conduct the GAD attributable activities shall ensure compliance to PCW-NEDA-DBM Joint Circular 2012-01.

d. Initial sex aggregation data was established and submitted by HRAD. Moreover, NEA's Consultant will assist GFPS in the preparation of 2020 Agency's SDD and Gender Statistics to address and identify gender issues for gender analysis.

e. Gender Mainstreaming or Budget Attribution using Harmonized Gender and Development Guidelines (HGDG) points system was only implemented in CY 2019, thus, regular monitoring and audit on the effectiveness of gender mainstreaming will be ascertained.

f. The GFPS committee will process and simulate the HGDG test in order to determine if the targeted score was attained.

g. The Agency already included in the 2020 Training Calendar the GFPS capacity building.

D. COMPLIANCE WITH TAX LAWS

Taxes withheld and due to the Bureau of Internal Revenue (BIR) for CY 2019 amounting to P23,468,597.20 were recorded and remitted within the prescribed period. The taxes withheld for December 2019 amounting to P3,119,300.80 were remitted in January 2020.

E. COMPLIANCE WITH GSIS, PAG-IBIG AND PHILHEALTH PREMIUM/LOAN AMORTIZATION/DEDUCTION AND REMITTANCES

Premiums and loan amortizations due to GSIS, Pag-IBIG and PhilHealth for CY 2019 were deducted from the salaries of the NEA personnel and remitted within the prescribed period as follows:

Particulars	Collected and Remitted in 2019 (January - November)	Collected in December 2019 and Remitted in January 2020
GSIS	P 21,169,183.53	P 2,277,255.04
Pag-IBIG	4,440,201.64	411,048.96
PhilHealth	1,438,515.88	144,259.18
Total	**P 27,047,901.05**	**P 2,832,563.18**

F. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCE AND CHARGES

Based on the Notice of Disallowances issued, total audit disallowances as of December 31, 2019, after the effectivity of the Rules and Regulations of Settlement of Accounts (RRSA) on October 28, 2009 amounted to P125,363,630.31. There was no Notice of Suspension and Notice of Charge issued in CY 2019. Details are shown in the table below:

Audit Action	Beginning Balance January 1, 2019	Issued	Settled	Ending Balance December 31, 2019
Suspensions	0.00	0.00	0.00	0.00
Disallowances	124,883,630.31	480,000.00	0.00	125,363,630.31
Charges	0.00	0.00	0.00	0.00
Total	**124,883,630.31**	**480,000.00**	**0.00**	**125,363,630.31**

Prior to the effectivity of the RRSA on October 28, 2009, COA records disclosed that several transactions totaling P692,077.56 have been disallowed in audit.