

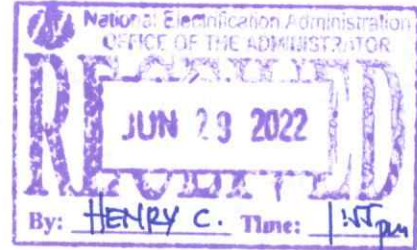


REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

Corporate Government Audit Sector
Cluster 3 – Public Utilities

June 28, 2022

Engr. EMMANUEL P. JUANEZA
Administrator
National Electrification Administration
57 NEA Building, NIA Road, Government Center
Diliman, Quezon City 1100



Dear Administrator Juaneza:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **National Electrification Administration (NEA)** for the years ended December 31, 2021 and 2020.

The report consists of three Parts: I – Independent Auditor's Report and Audited Financial Statements, II - Audit Observations and Recommendations, and III – Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the NEA for the years ended December 31, 2021 and 2020.

Although an unmodified opinion was issued by the Auditor, the following are the significant audit observations and recommendations that need immediate actions:

1. The payments in CY 2021 totaling P5.724 million for the Program on Awards and Incentives for Service Excellence (PRAISE) benefits granted *en masse* to NEA's employees which defeats the purpose of the PRAISE benefit is contrary to the Civil Service Commission (CSC) Memorandum Circular (MC) No. 01, s. 2001 dated January 26, 2001.

Recommendations:

Management to:

- a. Stop immediately the grant of Efficient Service Delivery Award (ESDA) to all officers and employees as it constitutes additional benefits and is not in accordance with the approved NEA-PRAISE under CSC MC No. 01, s. 2001; and
- b. Require the concerned officers and employees to refund the ESDA received totaling P5.724 million to preclude the issuance of a Notice of Disallowance (ND).

2. The guidelines and regulations on the release and liquidation of subsidy funds to Electric Cooperatives (ECs) were not complied with as evident in the following:
 - a. Of the total year-end balance of subsidy funds released to various ECs from CYs 2009 to 2020, 46.94 percent or P1.460 billion already due for liquidation remained unliquidated as of December 31, 2021, contrary to Section 4.5.6 of COA Circular No. 2007-001 and Section 4 of the Memorandum of Agreement (MOA) between the NEA and ECs; and
 - b. Subsequent releases of regular subsidy funds totaling P361.684 million to 26 ECs with unliquidated balances are not compliant with Section 2 of COA Circular No. 2012-01, paragraph 3 of NEA Memorandum No. 2016-022 dated October 11, 2016, paragraph IV(B)6 of NEA Memorandum No. 2018-001 dated December 7, 2017, and paragraph VI(B)3 of NEA Memorandum No. 2019-001 dated January 9, 2019.

Recommendations:

Management to:

- a. Require the Accounts Management & Guarantee Division (AMGD) to instruct the concerned ECs to liquidate immediately the subsidy funds amounting to P1.460 billion already due for liquidation pursuant to Section 4.5.6 of COA Circular No. 2007-001 and Section 4 of the MOA between the NEA and ECs; and
 - b. Stop releasing regular subsidy funds to ECs with unliquidated balances pursuant to Section 2 of COA Circular No. 2012-01, paragraph 3 of NEA Memorandum No. 2016-022, paragraph IV(B)6 of NEA Memorandum No. 2018-001 and paragraph VI(B)3 of NEA Memorandum No. 2019-001.
3. The non-remittance of the ECs' unexpended subsidy balance totaling P1.107 billion as of December 31, 2021, for projects implemented by 44 ECs audited in CYs 2013 to 2020, is contrary to Section 4.5.6 of COA Circular No. 2007-001 and Section 7 of the MOA between NEA and the ECs, requiring their immediate return to NEA, which deprived the government the utilization of the said funds to other important projects.

Recommendations:

Management to direct the AMGD to:

- a. Collect the total unexpended balance of P1.107 billion from the 44 ECs audited in CYs 2013 to 2020 pursuant to Section 7 of the MOA and Section 4.5.6 of COA Circular No. 2007-001; and
- b. Monitor the timely return of unexpended balances reported by the ECs in their Accounting of Funds on liquidation of subsidy releases.

The foregoing audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during

the exit conference conducted on May 23, 2022, are discussed in detail in Part II of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:


MA. LYDIA F. DE JOYA
Director IV

Copy furnished:

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