

Reference	Audit		Status/ Action Taken
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	<p>discrepancy of P25.523 million between the book and the bank balances caused by unrecorded savings account totaling P290.665 million, contrary to paragraph 27 of IPSAS 1 and Section 74 of Presidential Decree (PD) No. 1445.</p> <p>In addition, there were two dormant or inactive bank accounts for more than five years with cash balances totaling P4.136 million, contrary to DOF-DBM-COA Joint Circular No. 4-2012 dated September 1, 2012.</p>	<p>balance, and prepare the necessary adjusting entries to properly take up the identified reconciling items and furnish this Office with the related Journal Entry Vouchers and pertinent supporting documents;</p> <p>b. Record the amount of P200 million and P90.665 million for the bank balances under the NEA's account in the DBP and UCPB as of December 31, 2020 and verify the recorded amount per books of P200.653 million which was not confirmed by DBP; and</p> <p>c. Prepare the monthly BRS for each depository bank account, record cash in bank transactions and adjustments in a timely manner and submit BRS regularly to this Office within 20 days pursuant to Section 74 of PD No. 1445;</p> <p>2. Require the Treasury Division to consider closing the dormant accounts and transfer the fund to other active bank accounts of NEA.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
CY 2020 AAR,	The reliability and valuation of Property,	a. Require the Accountant and the Property	Fully implemented.

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Observation No. 3 Pages 42 - 45	<p>Plant and Equipment (PPE) with carrying amount of P181.548 million as at year-end was not ascertained due to the following deficiencies:</p> <p>a. Unreconciled variance between the balance per Accounting records and Physical Inventory Report (PIR) in the amount of P2.422 million;</p> <p>b. Eight PPE items remained missing and reported as a shortage in the PIR totaling P0.543 million;</p> <p>c. Unserviceable properties totaling P19.884 million with carrying amount of P3.659 million remain undisposed and recorded under PPE account as at year-end contrary to the Department of Budget and Management's (DBM) National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property.</p>	<p>Officer to speed up the reconciliation of the variance between the Accounting records and PIR and make the necessary adjustment to reflect the corrected balances in the books;</p> <p>b. Require the concerned AOs/employees to locate and produce the eight missing PPE items declared as shortage, otherwise, hold them liable for the loss of the items and set-up receivable from the concerned AOs/ employees;</p> <p>c. Require the Accounting Division to reclassify the unserviceable properties with carrying amount of P3.659 million to the Other Assets account; and</p> <p>d. Prioritize the disposal/sale of unserviceable PPE items to avoid further deterioration.</p>	<p>Partially implemented.</p> <p>Reiterated in Audit Observation No. 1, pages 36 to 37 of this AAR.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
CY 2020 AAR, Observation No. 4 pages 46 - 50	<p>Deficiencies and errors on the foreclosed properties under the Other Assets account of the NEA cast doubt on the completeness of recording, existence and ownership of the assets contrary to paragraph 27 of IPSAS 1.</p>	<p>a. Require the Coordinator of Acquired and Foreclosed Properties, the caretaker, and the Legal Department to coordinate with the Assessor's Office in Bani and Bolinao, Pangasinan to:</p>	

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	<p>a. Several foreclosed properties acquired in the year 1972 located in Bani and Bolinao, Pangasinan were not recognized in the books of NEA;</p> <p>b. Discrepancies were noted between the Declaration of Real Properties (DRPs) and Sheriff Certificate of Sales (SCSs) on the exact land areas, locations, and declaration of real property numbers of the acquired foreclosed properties; and</p> <p>c. Foreclosed properties acquired in 1967 and 1972 remain untitled.</p>	<p>i. Secure authenticated copy of the nine Declaration of Real Property;</p> <p>ii. Conduct inspection to establish the exact locations, total land areas of the said foreclosed properties and update the recorded information; and</p> <p>iii. Hire the service of an accredited property appraiser to assess the foreclosed property and make the corresponding adjustment on the books;</p> <p>b. Recognize in the books the foreclosed properties acquired and evidenced by the SCS issued in January 1972; and</p>	<p>Not implemented.</p> <p>The strict implementation of quarantine protocols in the LGUs hindered the action of the Committee and Legal Department to carry out the inspection of the properties and authentication of the nine DRPs.</p> <p>Not implemented.</p> <p>The strict implementation of quarantine protocols in the LGUs hindered the action of the Committee and Legal Department to carry out the inspection of the properties and authentication of the nine DRPs.</p> <p>Not implemented.</p> <p>For discussion with FSD with regard to the availability of the budget.</p> <p>Fully implemented.</p>

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		c. Secure the Transfer Certificate of Title (TCT) of the foreclosed properties before considering to lease the property to private corporations to prevent future legal issues from third party claims over the properties.	Not implemented. For discussion with FSD with regard to the availability of the budget.
CY 2020 AAR, Observation No. 5 pages 50 - 61	A total of P1.520 billion subsidy balance covering the period from CYs 2009 to 2019 remain unliquidated by the ECs as of December 31, 2020 due to the deficiencies noted in the grant, liquidation, and recording of subsidies released to the Electric Cooperatives (ECs) 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 Section 4.5.6 of COA Circular No. 2007-001, Memorandum of Agreement (MOA) between NEA and ECs, NEA Memorandum Nos. 2018-001 and 2019-001, indicating lack of monitoring and efficient management of the subsidy fund, to wit: a. The amount of	a. Enforce the provisions of Section 4.5.6 of COA Circular No. 2007-001, Item No. 6 of NEA Memorandum No. 2018-00 and Item No. 3 of NEA Memorandum No. 2019-001 by requiring ECs to liquidate any prior/previous subsidy fund received before making another fund release(/s); b. Require the concerned ECs to comply strictly with Section 4 of the MOA as agreed by NEA and ECs by compelling them to: i. Liquidate immediately the subsidy fund totaling P1.520 billion which are already due for liquidation by submitting all the required liquidation documents such as	Not implemented. The Management continuously releases subsidy funds even if there are previous unliquidated balances. This observation was first raised in CY 2013 AAR and was reiterated on CYs 2014 to 2020. Reiterated in Audit Observation No. 6, pages 45 to 53 of this AAR. Partially implemented. Of the P1,519,901,818.71, a total of P861,745,617.19 or 56.70% has been liquidated

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	<p>P139.161 million and P1.131 billion from the 90 percent initial releases of subsidy funds from CYs 2018 and 2019 remain unliquidated as of December 31, 2020;</p> <p>b. Simultaneous and subsequent releases of subsidy funds despite unliquidated balances; and</p> <p>c. Adjustments reported in the Status of Fund Transfer as of December 31, 2020 remained unadjusted in the books which could have reduced the unliquidated balance.</p>	<p>Certificate of Final Inspection and Acceptance (CFIA) and Accounting of Funds (AFs) with supporting documents to validate the charges made to the subsidy fund and such other documents to facilitate the closing of the books of both NEA and the ECs;</p> <p>ii. Liquidate the unliquidated balances from the 90 percent initial release totaling P139.161 million and P1.131 billion subsidy funds releases from CYs 2018 and 2019, respectively;</p> <p>iii. Return the unliquidated balances of P249.965 million outstanding for more than 3 years and already deemed overdue for liquidation;</p>	<p>leaving a balance of P658,156,201.52 as of December 31, 2021.</p> <p>Partially implemented.</p> <p>Of the P139,161,455.27, a total of P108,221,049.6 or 77.77% was already liquidated leaving a balance of P30,940,405.67 as of December 31, 2021.</p> <p>Of the P1,130,775,467.18, a total of P679,860,140.11 or 60.12% was already liquidated leaving a balance of P450,915,327.06 as of December 31, 2021.</p> <p>Partially implemented.</p> <p>Of the P249,964,896.27, a total of P73,664,427.48 or 29.47% was already liquidated</p>

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		<p>c. No Liquidate any prior/previous subsidy fund received before making another fund release/s;</p> <p>d. Address immediately the amounts for adjustments noted in the Status Report submitted to COA to bring the Due from NGO/POs account to its correct balance and return the unexpended balance of P6.994 million.</p>	<p>leaving a balance of P176,300,468.79 as of December 31, 2021.</p> <p>Not implemented.</p> <p>The management continuously releasing subsidy funds even there were previous unliquidated balances.</p> <p>Reiterated in Audit Observation No. 6, pages 45 to 53 of this AAR.</p> <p>Partially implemented.</p> <p>The amount of P1,426,260.14 for KAELCO was already adjusted in the books per JEV No. 2021-05-003289.</p> <p>Of the P5,567,297.19 for return by TISELCO, the amount of P3,203,466.40 has been paid thru post-dated checks and already cleared in the bank, while part of the remaining P2,363,830.79 was returned totaling P522,533.60 leaving an unreturned balance of P1,841,297.19.</p>

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CY 2020 AAR, Observation No. 6 pages 61 - 67	<p>The Accounting of Funds (AF) of six ECs in Bangsamoro Autonomous Region for Muslim Mindanao (BARMM) for the 65 implemented projects under regular subsidy, SEP, BLEP, Housewiring Program, Metering Program, Calamity Grant, and Marawi Siege projects with reported unexpended/unutilized balance totaling P39.216 million were not immediately returned/remitted upon liquidation due to NEA's non-enforcement of Section 7 of the MOA.</p> <p>Also, deficiencies/ discrepancies were noted on the liquidation supporting documents of six ECs, resulting in the increase of the reported unexpended balance by P499.328 million and the same was not returned/remitted to NEA contrary to Section 4.5.6 of COA Circular No. 2007-001, Sections 2 and 7 of the MOA and NEA Memorandum No. 2013-023.</p> <p>Unexpended balance aggregating P628.583 million or 69.53 percent of ECs audited in CYs 2014 to 2019 remained unreturned to NEA.</p>	<p>a. Enforce strictly Section 7 of the MOA by requiring the concerned ECs to returned immediately to NEA the unexpended balance of P39.216 million reported in AF upon liquidation and furnish COA with a photocopy of the Official Receipt, for validation;</p> <p>b. Require the BARMM ECs to submit the required documents for validation of the charges made in the AFs together with the supporting schedule of the AFs, with soft and hard copy properly label for easy verification and adjustment of the total unexpended balances. Otherwise, require the return to NEA of the total amount of P499.328 million;</p> <p>c. Require the 42 ECs audited in CYs 2014 to 2019 to return and/or remit immediately the remaining unexpended balances of P628.583 million;</p>	<p>Partially implemented.</p> <p>Of the P39,215,598.98, a total of P8,063,467.52 was returned by the three ECs, leaving an unexpended balance of P31,152,131.46 as of December 31, 2021.</p> <p>Reiterated in Audit Observation No. 7, pages 53 to 59 of this AAR.</p> <p>Partially implemented.</p> <p>Of the P499,328,466.97, a total of P10,694,132.76 was returned by the five BARMM ECs, leaving an unexpended balance of P488,634,334.21 as of December 31, 2021.</p> <p>Reiterated in Audit Observation No. 7, pages 53 to 59 of this AAR.</p> <p>Partially implemented.</p> <p>Of the P628,582,763.45, a total of P40,348,826.58 were already</p>

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			<p>returned by 17 ECs and a total of P32,370,372.16 was considered after evaluation of additional documents submitted by 12 ECs, leaving an unexpended balance of P55,863,564.71 as of December 31, 2021.</p> <p>This observation was first raised in CY 2010 AAR and was reiterated on CYs 2011 to 2020.</p> <p>Reiterated in Audit Observation No. 7, pages 53 to 59 of this AAR.</p> <p>Fully implemented.</p> <p>Fully implemented</p>
CY 2020 AAR, Observation No. 7 pages 67 - 73	Deficiencies were noted due to poor monitoring and management on the grant and liquidation of the subsidy fund to Cagayan de Sulu Electric Cooperative, Inc. (CASELCO) amounting to P25.112 million	<p>a. Require TEREDD and ASD to demand the immediate liquidation of subsidy released amounting to P25.112 million and submit all the required liquidation documents including CFIA, AF along with the</p>	<p>Not implemented.</p> <p>No liquidation documents were submitted to the audit team as of this date.</p> <p>This observation</p>

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	<p>released in CY 2015 for the implementation of the expansion of lines to 26 sitios under the 2011 Disbursement Acceleration Program (DAP) - Transition Investment Support Program (TISP), hence, not compliant with the NEA guidelines on documentary requirements and MOA between NEA and CASELCO, to wit:</p> <p>a. The subsidy fund with an approved project cost of P25.112 million remain unliquidated as of audit date;</p> <p>b. 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; and</p> <p>c. Expansion of lines to seven sitios were implemented but four of which were not the approved sitios which were not compliant with Section 2 of the MOA. Also, the implementation was delayed for 747-768 days or more than two years.</p>	<p>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 on the charges made against the subsidy fund;</p> <p>b. Institute legal action against the officials who favorably approved the implementation by other government agencies but failed to fully complete the project and liquidate the fund covered by the MOA, if warranted; and</p> <p>c. Demand from CASELCO the immediate return of the</p>	<p>was first raised in the AAR for CY 2016 and reiterated in CYs 2017 to 2020.</p> <p>Partially implemented.</p> <p>NEA received letter dated Nov. 2, 2021 from AFP on the updates of the SEP projects undertaken by the 545th Engineer Construction Battalion, Philippine Army (545ECB, PA) at Mapun, Tawi-tawi. And submitted an accomplishment report as of June 17, 2021 informing that the 26 sitios 100% complete. NEA-TEREDD sent letter to CASELCO on September 10, 2021 to prepare the documents for inspection prior to the scheduled inspection on the 4th week of April and May 2022.</p> <p>Not implemented.</p> <p>No copy of demand</p>

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		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 for the approval and release of the subsidy fund.	letter was received from the NEA-AMGD re: the immediate return of P22.006 million.
CY 2020 AAR, Observation No. 8 pages 73 - 76	<p>The unexpended/unutilized balance reported in the AFs for various SEP projects of LEYECO V totaling P10.848 million was not immediately returned upon liquidation due to NEA's non-enforcement of Section 7 of the MOA, hence, depriving the government of funds to utilize for other projects.</p> <p>Likewise, an increase in unexpended balance from P10.848 million to P11.396 million was noted due to error in recording, unsupported, and expenses not attributable to the subsidy funds which were not compliant with Sections 2 and 7 of the MOA.</p>	<p>a. Demand to LEYECO V the immediate return of the unexpended amount of P11.396 million to NEA pursuant to Section 7 of the MOA;</p> <p>b. Submit immediately the supporting documents for the charges made to AFs totaling P4.079 million for validation, otherwise, instruct to return the said amount to NEA; and</p> <p>c. Furnish this Office with the copy of Official Receipts evidencing the return of unexpended subsidy fund of P11.396 million and the amount corresponding to unsupported charges made to AFs totaling P4.079 million.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
CY 2020 AAR, Observation No. 9	The non-remittance of the unutilized/unexpended balance of subsidy funds released	a. Enforce strictly the provision of Section 7 of the MOA between NEA and TISELCO by	<p>Partially implemented.</p> <p>TISELCO returned</p>

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pages 76 - 79	<p>to TISELCO totaling P10.604 million is not compliant with Section 7 of the MOA entered into by and between NEA and TISELCO;</p> <p>Additional documents submitted to support the two subsidy fund projects totaling P6.083 million were either lacking or not the original/certified true copies of the required supporting documents, violates Section 4(6) of the PD No. 1445; and</p> <p>The inclusion of the P204,342.00 cost of unused housewiring materials, kWh meters, and duplex wire in the liquidation, which was not part of the expenses of the project, hence, not considered in the audit.</p>	<p>obliging the TISELCO to return/remit the remaining unutilized/unexpended subsidy fund balance of P10.604 million to NEA.</p> <p>b. Observe strictly Section 4.6 of PD No. 1445 by compelling TISELCO to submit the lacking and/or original/certified true copies of the documents pertinent to the liquidation of P6.083 million for the two projects mentioned in item no. 5.4 above to avoid the issuance of Notice of Charge/s; and</p> <p>c. Require TISELCO to return/remit immediately to NEA the amount of P204,342.00 disbursed for the cost of returned/ unused housewiring materials, kWh meters, duplex wires, and furnish this Office with a photocopy of Official Receipt acknowledging the receipt. Also, remind TISELCO that only disbursements related to the projects should be charged against the subsidy funds, to avoid further disallowance;</p>	<p>an additional amount of P3 million, leaving an unexpended balance of P7,604,397.11 as of December 31, 2021.</p> <p>Reiterated in Audit Observation No. 7, pages 53 to 59 of this AAR.</p> <p>Partially implemented.</p> <p>TISELCO submitted additional documents on June 25, 2021 for validation by the Audit Team.</p> <p>Fully implemented.</p>

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CY 2020 AAR, Observation No. 10 pages 80 - 84	<p>The unexpended subsidy fund balance released from February 06, 1997 to December 15, 2003 to TISELCO totaling P7.737 million, caused by non-implementation of energization of eight project locations and project in Brgy. Burgos, San Jacinto, Masbate, remain unremitted to NEA, contrary to Section 7 of the MOA entered into by and between the NEA and TISELCO, also, deprived the government to make use of the fund for some other electrification projects of the government; and</p> <p>The charging of materials, labor, and overhead in the amount of P146,179.62 which was not supported with complete documentation, and the payment of P88,979.00 for TISELCO's employees' benefits were not allowed in audit, thus, should be returned immediately to NEA.</p>	<p>a. Non-implementation of energization of eight location projects for P7.501 million;</p> <p>b. Non-allowable cost for paying the TISELCO's employees benefits charged from subsidy fund of P88,979.00; and</p> <p>c. Liquidation of energization project located in Brgy. Burgos, San Jacinto, Masbate not supported with a progress report, AF, disbursement voucher, and such other pertinent documents in the amount of P146,179.62.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
CY 2020 AAR, Observation No. 11 pages 84 - 89	<p>Procurement procedures conducted by the Bids and Awards Committee (BAC) of PRESCO and PELCO II for the implementation of SEP and BLEP were not in accordance with Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).</p>	<p>Require PRESCO and PELCO II to comply strictly with the provisions of RA No. 9184 and its RIRR, specifically:</p> <p>a. Payment of advances/mobilization fee in an amount not exceeding 15 percent of the total contract price pursuant to Section 4.1 of the RIRR</p>	<p>Fully implemented.</p>

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	<p>a. Advance payment or mobilization fee paid by PRESCO to its contractor exceeded the allowable 15 percent as prescribed under Section No. 4.1 on Contract Implementation Guidelines for the Procurement of Infrastructure Projects of the RIRR of RA No. 9184.</p> <p>b. The performance security bond posted by the winning bidders of PELCO II was insufficient by P0.838 million, contrary to Sections 39.1 and 39.2 of the updated 2016 RIRR of RA No. 9184.</p> <p>c. The bid documents submitted by two bidders of PELCO II were not accompanied by bid security contrary to Section 27.1 and 27.2 of the updated 2016 RIRR of RA 9184.</p> <p>d. The documentary requirements of the bidding documents of the winning bidders of PELCO II as required under the RIRR of RA 9184 are lacking and incomplete.</p>	<p>of RA No. 9184;</p> <p>b. Post adequate Performance Security to contracts awarded to protect the government's interest in case of default and inevitable abandonment of contract;</p> <p>c. Submission of the bid security and completeness of bid documents; and</p> <p>d. Exercise prudence in accepting documents both from the prospective bidders and winning bidders on full documentation requirements as mentioned in the guidelines.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
CY 2020 AAR, Observation No. 12	The absence of monitoring and follow up policy/guidelines relative to the return of the	a. Provide a monitoring tool/measures that will periodically check and follow up on the ECs	Fully implemented.

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pages 89 - 93	<p>excess amount from the approved realigned subsidies granted to the ECs by the NEA, resulted in a total of P10.933 million or 87.35 percent which remains unreturned by the concerned ECs to the NEA, for more than six years, as of December 31, 2020, hence, not compliant with Section 7 of the MOA, thereby depriving the government of funds to utilize for electrification or other priority projects.</p>	<p>which have not yet returned the excess/unexpended subsidies released to them;</p> <p>b. Impose sanction(s) on the unjustifiable delay of the return of excess balance of the realigned subsidies aside from Section 6 of the MOA. This will compel the ECs to return within timelines any excess amount from the approved realigned unexpended/excess subsidy grant;</p> <p>c. Assign personnel from the ASD and FSD to monitor and coordinate with the ECs relative to the timely return of the excess amount;</p> <p>d. Require the remaining 18 ECs to return/remit immediately the excess/unexpended balances from the approved realigned subsidies totaling P10.933 million and furnish the COA office of the photocopies of the returned fund, otherwise, a Notice of Charge shall be issued thereon; and</p> <p>e. Enforce strictly the provision of Section 7 of the MOA on the return/remittance of excess/unutilized</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>

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		funds.	
CY 2020 AAR, Observation No. 13 pages 93 - 97	<p>The non-observance by the NEA of Section 4.a of the MOA with the PELCO II, pertaining to the inspection of the former's completed SEP and BLEP projects, totaling P16.804 million, resulted in the delayed subsidy liquidation ranging from 9 to 72 months (or 6 years), causing a toll on the electrification program of the National Government (NG) through NEA and thus, deprived the beneficiaries of the implementation of the electrification projects and services; and</p> <p>Likewise, liquidation of the subsidy funds released PRESCO for the extension of distribution lines for Purok 6, Baliti, Arayat, Pampanga under 2014 SEP incurred delays by eight months which was not compliant with Item No. 4 of the MOA.</p>	<p>a. Conduct inspection of completed projects within the prescribed period as provided for under the MOA and issue the corresponding CFIA, as warranted, to facilitate the timely liquidation of subsidy released to PELCO II;</p> <p>b. Require the PELCO II and PRESCO to comply with the liquidation timeline pursuant to item No. 4.a of the MOA;</p> <p>c. Require PELCO II to submit written justification/ explanation on the late energization of the above-mentioned SEP/BLEP projects and delayed inspection which in effect delayed the liquidation of the completed projects; and</p> <p>d. Impose sanctions on PELCO II as stated in the MOA or its non-observance of the timelines provided thereof.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>
CY 2020 AAR, Observation No. 14 page 97	Laxity in the preparation of the PRESCO's CFIA casts doubt on the reliability of the information on the completion/energization	We recommended that Management require TEREDD to ensure the accuracy of the information reported in the CFIA and CE.	Fully implemented.

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	dates of the implemented project.		
CY 2019 AAR, Observation No. 1 pages 36 - 38	<p>The accuracy, existence, and reliability of the year-end balance of Loans Receivable – Power Sector Assets and Liabilities Management (PSALM) amounting to P2.155 billion is doubtful due to unreconciled variance amounting to P350.329 million between National Electrification Administration (NEA) books and PSALM as disclosed in its Notes to Financial Statements contrary to Appendix B of International Public Sector Accounting Standards (IPSAS) 1 – Presentation of Financial Statements.</p> <p>The Impairment Loss provided was recognized as a prior period adjustment instead of the 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 the Prior Period Adjustment account by the same amount.</p>	Follow up with the Office of the Government Corporate Counsel (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	<p>Partially implemented.</p> <p>No update received from the OGCC yet.</p> <p>Awaiting the final decision from the OGCC on the status of the arbitration case between NEA and PSALM. Necessary adjustment will be made in the books upon receipt of the decision from the OGCC as confirmed by the Secretary of Justice.</p>

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CY 2019 AAR, Observation No. 3 pages 39 - 40	Trust Liabilities - Others and Miscellaneous Payables accounts with year-end balances 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.	Analyze accounts with abnormal or debit balances and accounts for adjustment to determine errors committed and make the necessary adjustments.	Fully implemented.
CY 2019 AAR, Observation No. 5 pages 47 - 53	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.	<p>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;</p> <p>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;</p> <p>c. For services contracted with the Broadcasting</p>	<p>Partially implemented.</p> <p>Collection effort is ongoing. NEA gathered the contact details from the 201 files of the retired/resigned employees and sent demand letters.</p> <p>Partially implemented.</p> <p>Additional demand letters will be sent out once necessary contact information of the debtors/creditors are gathered.</p> <p>Not implemented.</p> <p>NEA coordinated</p>

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		<p>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;</p> <p>d. Offer/Set-up a repayment plan to non-paying Electric Cooperatives (ECs) with outstanding miscellaneous receivables balance;</p> <p>e. 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;</p> <p>f. Intensify collection efforts by regularly</p>	<p>through telephone with the Broadcasting Corporation and was referred to the Archives Section regarding the transaction. However, the person in-charge was not privy on the issue. NEA will further outspread our research to retrieve the required certificate of services rendered. NEA will provide COA the certification once the document is available.</p> <p>Partially implemented.</p> <p>Some ECs are not amenable to settle their accounts.</p> <p>Partially implemented.</p> <p>Due to constant effort in gathering contact information of the NEA Officials and employees, various collection letters were sent-out. FSAD will update the database once additional data are gathered.</p> <p>Partially implemented.</p>

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		<p>sending demand letters to the former NEA officials and employees with known addresses requiring them to immediately settle their accounts;</p> <p>g. 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;</p> <p>h. Follow up the Legal Services Office (LSO) 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;</p> <p>i. Intensify collection efforts by regularly sending demand letters to the debtors requiring them to immediately settle their accounts;</p> <p>j. Determine whether the receivables that</p>	<p>Collection effort is ongoing.</p> <p>Not implemented.</p> <p>Limited access to contact information. Demand letters will be sent out once necessary contact information of the debtors/creditors are gathered.</p> <p>Partially implemented.</p> <p>Coordination with the Securities and Exchange Commission (SEC) is ongoing to validate the entities that are no longer exist as required in the COA Circular No. 2016-005.</p> <p>Partially implemented.</p> <p>Collection efforts is ongoing.</p> <p>Partially implemented.</p>

Reference	Audit		Status/ Action Taken
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		<p>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;</p> <p>k. Expedite the gathering of supporting documents relative to the request of authority to write-off as prescribed under COA Circular No. 2016-005;</p> <p>l. Analyze the accounts for adjustment and accounts with negative balances, and make necessary adjustments, where appropriate.</p>	<p>The LSO will coordinate 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.</p> <p>Partially implemented.</p> <p>Coordination with the Securities and Exchange Commission (SEC) is ongoing to validate the entities that are no longer exist as required in the COA Circular No. 2016-005.</p> <p>Partially implemented.</p> <p>The CRFS will analyze the account and appropriate adjustments will be made in NEA's books of accounts.</p>
CY 2019 AAR, Observation No. 6 pages 53 - 56	The provision of Allowance for Impairment Loss for Loans Receivables and Other Receivables accounts was unreliable due to the	a. Close the recorded SL balances of the Allowance for Impairment Loss account as of December 31, 2019;	Fully implemented.

Reference	Audit		Status/ Action Taken																											
	Observations	Recommendations																												
	existence of variance between the Financial Statement (FS) and Subsidiary Ledger (SL) balances totaling P77.091 million for each receivable, contrary to the Conceptual Framework for GPFER by Public Sector Entities.	<p>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;</p> <p>c. Ascertain that the amounts reported in the FS reconcile with the SL balances of the account; and</p> <p>d. Disclose the required information as prescribed by Paragraph 20 of IPSAS 30.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>																											
CY 2019 AAR, Observation No. 7 pages 56 - 59	Miscellaneous Income with year-end balance of P17.524 million was overstated by P17.427 million due to the inclusion of accounts pertaining to Collections of Registration Fees on Seminars/Training, 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 (RCA) for Government Corporations (GCs) Updated 2019 and Sections 6.1 and 6.2 of	<p>Effect the following proposed adjusting/reclassifying journal entry to reflect the correct balance of the affected accounts:</p> <table border="1"> <thead> <tr> <th>Account Title</th> <th>Dr.</th> <th>Cr.</th> </tr> </thead> <tbody> <tr> <td>Miscellaneous Income</td> <td>17,426,760.30</td> <td></td> </tr> <tr> <td>Honoraria</td> <td></td> <td>156,600.00</td> </tr> <tr> <td>Legal Fees</td> <td></td> <td>100,050.00</td> </tr> <tr> <td>Other Service Income</td> <td></td> <td>225,000.00</td> </tr> <tr> <td>Seminar/Training Fees</td> <td></td> <td>13,477,231.80</td> </tr> <tr> <td>Rent/Lease Income</td> <td></td> <td>1,974,668.60</td> </tr> <tr> <td>Guarantee Income</td> <td></td> <td>1,487,535.00</td> </tr> <tr> <td>Income from Printing and Publication</td> <td></td> <td>5,624.90</td> </tr> </tbody> </table>	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		1,487,535.00	Income from Printing and Publication		5,624.90	Fully implemented.
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	Department of Budget and Management (DBM) Budget Circular (BC) No. 2004-5A dated October 7, 2005.		
CY 2019 AAR, Observation No. 8 pages 59 - 61	The accuracy and reliability of Other Assets amounting to P14.434 million are doubtful due to the 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.	<p>a. Analyze the accounts for adjustment and reconciliation, and make necessary adjustments, where appropriate;</p> <p>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</p> <p>c. Provide adequate Allowance for Impairment of the dormant accounts in compliance with IPSAS 29.</p>	<p>Fully implemented.</p> <p>Not implemented.</p> <p>Reiterated in Audit Observation No. 4, pages 43 to 44 of this AAR.</p> <p>Fully implemented.</p>
CY 2019 AAR, Observation No. 9 pages 61 - 64	The existence and reliability of Inventories account with a year-end balance of P2.668 million cannot be ascertained due to the inclusion of damaged/burned items and accounts with abnormal or credit balances amounting to P5.107 million and P12.223 million, respectively. Further, the	a. 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	<p>Partially implemented.</p> <p>Management will continue reconciling the said account.</p>

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	Spare Parts Inventory amounting to P273,753 was not classified as Other Supplies and Materials Inventory, the appropriate account as described under COA Circular No. 2020-002 - Updated RCA for GCs (2019).	(IFB) 74 as a model/tool in reconciling all other IFB accounts; and	
CY 2019 AAR, Observation No. 15 pages 85 - 87	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.	<p>a. Require the two ECs to submit an explanation/justification for the non-implementation of the above-mentioned four barangays for review and evaluation;</p> <p>b. Determine the actual evaluated project cost of the unimplemented barangay in BASELCO; and</p>	<p>Fully implemented.</p> <p>Partially implemented.</p> <p>NEA sent a follow-up letter to BASELCO dated May 24, 2022 requesting the immediate submission of the As-Plan Staking Sheets and Bill of Materials for the one barangays to determine the project cost of the unimplemented project.</p> <p>On a meeting with BARMM ECs last September 30, 2021, TAWELCO informed that the three sitios were completed, inspected and issued CFIA.</p>

Reference	Audit		Status/ Action Taken
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		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.	<p>However, no copy of CFIA was forwarded to COA Office as of audit date.</p> <p>Partially implemented.</p> <p>Reiterated in Audit Observation No. 7, pages 53 to 59 of this AAR.</p>
CY 2019 AAR, Observation No. 16 pages 87 - 88	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. This, cast doubt on the reliability of the evaluation process of NEA.	Ensure to evaluate thoroughly the projects submitted by the ECs for funding by verifying among others whether a previous subsidy fund was granted and strengthen the monitoring of the implementation of subsidy fund to avoid double funding.	<p>Not implemented.</p> <p>As of June 21, 2022, NEA is still validating the subsidy released to SULECO and they will have a meeting with the concerned personnel of SULECO on June 24, 2022.</p>
CY 2019 AAR, Observation No. 17 pages 88 - 89	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	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.	<p>Partially implemented.</p> <p>Out of the seven projects, MAGELCO submitted liquidation documents for two projects under 2015 SEP totaling P130.238 million.</p> <p>Validation of the additional</p>

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	between NEA and ECs, hence, the validity of the expenses was not determined.		supporting documents submitted by BASELCO, the remaining unexpended balance amounted to P6.621 million. Reiterated in Audit Observation No. 7, pages 53 to 59 of this AAR.
CY 2019 AAR, Observation No. 19, pages 97 - 105	<p>The Housewiring Program implemented by the seven ECs was not effective due to deficiencies noted, signifying the poor monitoring by NEA, to wit:</p> <p>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;</p> <p>b. Deficiencies were noted in the implementation of the program and were not compliant with NEA Memorandum No. 2011-024 which deprived the privilege</p>	<p>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;</p> <p>b. Direct the ECs to closely monitor the Housewiring Program projects by requiring them to undertake the following:</p> <ul style="list-style-type: none"> Return/refund to NEA the equivalent amount of all uninstalled housewiring materials that were Not Implemented by the contractors specifically the fully liquidated funds and institute an appropriate course of action against the contractors; 	<p>Fully implemented.</p> <p>Partially implemented.</p> <p>The TEREDD emailed the team as of May 26, 2022 and commented that the uninstalled housewiring materials will be deducted in the final release.</p> <p>Not all audited ECs submitted their status of</p>

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	<p>of the poorest segment in the rural areas from the extended government program; and</p> <p>a. Absence of a 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.</p>	<ul style="list-style-type: none"> • 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 	<p>housewiring program.</p> <p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>

Reference	Audit		Status/ Action Taken
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		<p>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</p> <ul style="list-style-type: none"> • 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. <p>c. Require the ECs to assist the households/beneficiaries in securing affordable and hassle-free electricity connections;</p> <p>d. Direct the ECs to strictly observe the housewiring policy in compliance with NEA Memorandum No. 2011-024; and</p> <p>e. Direct the ECs to prepare and maintain a database of housewiring beneficiaries on a per sitio and per project basis indicating the</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented.</p>

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
		<p>following information:</p> <ul style="list-style-type: none"> • name of beneficiary; • account number; • meter number; • date when beneficiaries were granted and installed with the housewiring materials; and • date of connection. 	
CY 2019 AAR, Observation No. 21 pages 115 - 118	<p>The CFIA issued to the ECs audited in CYs 2019-2020 had the following deficiencies:</p> <p>a. The CFIA's were not issued separately by the NEA Representative/s for completed projects under SEP/BLEP and CFIA's were issued despite the noted deficiencies such as:</p> <ul style="list-style-type: none"> ➤ 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 NEA's approval; 	<p>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;</p> <p>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;</p> <p>c. Ensure that only those realigned sitios/barangays with NEA's approval are</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Fully implemented. Management submitted copy of</p>

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	<p>b. CFIA attached to the liquidation documents was not signed by NEA Representative, thus, not valid; and</p> <p>b. As-Built Staking Sheets used to conduct final inspection and basis in the issuance of CFIA's were not signed by the NEA Representative/s.</p>	<p>included in the CFIA; and</p> <p>d. Attach duly signed CFIA in the liquidation documents.</p>	<p>NEA's approval for the realigned sitios /barangays of MAGELCO and LASURECO.</p> <p>Fully implemented.</p>