

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 50 audit recommendations embodied in the prior years' Annual Audit Reports, 26 were implemented and 24 were not implemented, 13 of which were reiterated in Part II of this Report, as shown below:

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
CY 2021 AAR, Observation No. 1 pages 36 – 37 Reiteration of prior audit observation	The Property, Plant and Equipment account includes six PPE items with a total acquisition cost of P434,307.14 that remained missing and reported as shortage, thus, affecting the fair presentation of the PPE account in the financial statements contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities of IPSAS (Conceptual Framework).	Require the General Services Division to send demand letters to the concerned accountable personnel for the six PPE items totaling P434,307.14 that remained missing as of December 31, 2021, and Accounting Division to set up receivable accounts from the concerned personnel who are unable to produce the PPE items pursuant to COA Circular No. 2020-006.	Implemented.
CY 2021 AAR, Observation No. 2 Page 37	The Cash in Bank – Local Currency and Other Payables account is overstated by P375,317.21 due to double issuance of Official Receipts (ORs) on excess subsidy funds returned by SAMELCO.	We recommended that Management require the Accounting Division to correct the Cash in Bank – Local Currency, Current Account and Prior Years' Adjustments accounts for the collection of P375,317.21 from SAMELCO which was recorded twice in the books of NEA.	Implemented.
CY 2021 AAR, Observation No. 3 Pages 38 - 43	The payments in CY 2021 totaling P5.724 million for the Program on Awards and Incentives for Service Excellence (PRAISE) benefits granted <i>en masse</i> to NEA's employees which defeats the purpose of the PRAISE benefit is contrary to the Civil Service Commission	Stop immediately the grant of 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 Require the concerned officers and employees to refund the ESDA received	With Notice of Disallowance (ND) No. 2022-001 issued on December 6, 2022.

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	(CSC) Memorandum Circular (MC) No. 01, s. 2001 dated January 26, 2001.	totaling P5.724 million to preclude the issuance of a Notice of Disallowance (ND).	
CY 2021 AAR, Observation No. 4 pages 43 – 44 Reiteration of prior audit observation	The reported receivables included in the NEA's bail-out program totaling P1.286 million under the non-current portion of the Other Assets account as of December 31, 2021 have been dormant or non-moving for 17 years and are of doubtful validity but have not been requested for write-off to clean the receivable accounts in accordance with COA Circular No. 2016-005.	Complete the documents necessary to support the request for authority to write-off the claims receivables amounting to P1.286 million in accordance with the provisions of COA Circular No. 2016-005.	Implemented.
CY 2021 AAR, Observation No. 5 pages 44 - 45	The cash advances intended for the payment of per diems are transferred from one Accountable Officer (AO) to another AO who is not bonded contrary to Sections 75 and 101 of PD No. 1445.	Stop the transfer of cash advances [for the payment of per diems] from one AO to another, especially to an AO who is not bonded, in compliance with Section 75 of PD No. 1445.	Implemented.
CY 2021 AAR, Observation No. 6 pages 45 - 53	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	a. Require the 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	Reiterated in Audit Observation No. 3, pages 49 to 53 of this AAR. Out of the total amount of P1.460 billion, P957.348 million or 65.57% has been liquidated, leaving a balance of P502.652 million as of December 31, 2022. Additionally, there is an unliquidated amount of

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	<p>4.5.6 of COA Circular No. 2007-001 and Section 4 of the Memorandum of Agreement (MOA) between the NEA and ECs; and</p> <p>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.</p>	<p>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.</p>	<p>P506.072 million from transactions in CY 2021, hence, the total unliquidated amount as at December 31, 2022, is P1.009 billion.</p> <p>Implemented.</p>
<p>CY 2021 AAR, Observation No. 7 pages 53 - 59</p>	<p>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.</p>	<p>Direct AMGD to:</p> <p>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</p> <p>b. Monitor the timely return of unexpended balances reported by</p>	<p>Reiterated in Audit Observation No. 4, pages 53 to 59 of this AAR.</p> <p>The unexpended balance not returned by ECs as at December 31, 2021 decreased to P983.112 million, as at December 31, 2022</p> <p>Implemented.</p>

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		the ECs in their AFs on liquidation of subsidy releases.	
CY 2021 AAR, Observation No. 8 pages 59 - 62	<p>Deficiencies were noted in the accounting for Calamity Grants to ECs in areas affected by Typhoon Yolanda, to wit:</p> <p>a. Reverted calamity grants to CELCO and DORELCO in the amount of P21.890 million were not returned to the Yolanda Resettlement and Rehabilitation Program (YRRP) Fund or redeposited to the CIB-LCCA - DBP NY account, contrary to NEA Memorandum No. 2016-006 dated June 2, 2016; and</p> <p>b. Error in posting the interest earned and unexpended funds returned by the ECs totaling P3.416 million to various Subsidiary Ledger (SL) accounts instead of to the CIB-LCCA - DBP NY account dedicated for Calamity Grants.</p>	<p>a. Direct the Treasury Division to return the P21.890 million drawn from the CIB-LCCA - DBP NY account to fund the reversion of the Calamity grants pursuant to the NEA Memorandum No. 2016-006 dated June 2, 2016; and</p> <p>b. Direct the Finance Services and Accounting Division (FSAD) to correct the erroneous posting of the interest earned, and the returned unexpended fund totaling P25.306 million.</p>	<p>Implemented.</p> <p>Implemented.</p>
CY 2021 AAR, Observation No. 9 pages 62 - 70	<p>The total unexpended balance of P46.278 million pertaining to the following projects was not yet returned/remitted by SORECO II due to NEA's non-enforcement of Sections 2 and 7 of MOA between them:</p> <p>a. Restoration of power</p>	<p>a. Direct the AMGD to require SORECO II to submit immediately the lacking documents stated in Sections 2 and 7 of the MOA between NEA and SORECO II and NEA Memorandum No. 2013-023 and other related supporting</p>	<p>Reiterated in Audit Observation No. 4, pages 53 to 59 of this AAR.</p>

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	<p>and rehabilitation of damaged distribution lines caused by Typhoon Glenda amounting to P31.030 million;</p> <p>b. Six SEP amounting to P7.584 million; and</p> <p>c. Unutilized housewiring program due to 3,065 unserved potential households in the amount of P7.662 million.</p>	<p>schedule/summary of the previous and the revised schedule for comparison, verification, and adjustment of the unexpended/unutilized subsidy funds; otherwise</p> <p>b. Direct the AMGD to collect immediately from SORECO II the total unexpended/unutilized balance of P38.615 million pursuant to Section 7 of the MOA between NEA and EC-53 and furnish the COA Office with photocopy of the official receipt, for monitoring purposes.</p> <p>c. Direct TEREDD to require SORECO II to enforce full implementation of the remaining housewiring materials totaling P3.140 million; and</p> <p>d. Direct AMGD to submit the necessary documents along with the list of beneficiaries with their signatures signifying their acceptance/ acknowledgment of housewiring projects totaling P7.662 million; otherwise</p> <p>e. Direct AMGD to collect the full amount of P7.662 million from SORECO II pursuant to Section 7 of the MOA</p>	<p>Reiterated in Audit Observation No. 4, pages 53 to 59 of this AAR.</p> <p>Reiterated in Audit Observation No. 4, pages 53 to 59 of this AAR.</p> <p>Reiterated in Audit Observation No. 4, pages 53 to 59 of this AAR.</p> <p>Reiterated in Audit Observation No. 4, pages 53 to 59 of this AAR.</p>

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		between NEA and SORECO II and furnish this Office with photocopy of the official receipt, for monitoring purposes.	
CY 2021 AAR, Observation No. 10 pages 70 - 73	The non-remittance of unexpended balance of subsidy funds amounting to P5.818 million released to CANORECO is not compliant with Sections 2 and 7 of the MOA entered into by and between NEA and CANORECO, while the liquidation for subsidy-funded projects totaling P8.943 million was not valid since it contained: i) double recording of charged expenses; ii) documents that could not be matched on the listed expenses; iii) duplicate copy of documents pertaining to the previous liquidation; and iv) lacked the required supporting documents, contrary to Section 4.a of the MOA, hence not considered in the audit.	Direct AMGD to oblige CANORECO to submit the required documentation for P8.156 million or otherwise, return the unexpended amount of P5.818 million.	Implemented.
CY 2021 AAR, Observation No. 11 pages 73 - 78	The submitted AFs totaling P2.718 million was not supported by complete liquidation documents prescribed in Section 4(6) of the Presidential Decree (PD) No. 1445, Section 2.2 of	Direct AMGD to: a. Oblige ZAMECO II to submit immediately full documentations for the P2.675 million; b. Provide for the required	Implemented. Implemented.

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	<p>COA Circular No. 2012-001, and NEA Memorandum No. 2013-023 and RA No. 9184, hence, the unexpended balance of P2.675 million should be returned/remitted to NEA.</p> <p>The payment of mobilization fees totaling P1.494 million to the contractors of ZAMECO II more than 15 percent of contract cost is not compliant with Section 4.1. of Annex "E" of the RIRR of RA No. 9184.</p> <p>Subsidies were released to ZAMECO II for four sitios projects that were already completed, hence, deviating from Section 3 of the MOA.</p>	<p>proof of verification on the validity of the documents submitted by ZAMECO II;</p> <p>c. Require ZAMECO II and all the ECs to comply strictly with the provision in Section 4.1. of Annex "E" of the RIRR of RA No. 9184 in paying the mobilization fee to the contractor; and</p> <p>d. Direct the TERRED and AMGD to submit written justification for allowing the release of subsidy after project completion, and ensure compliance with Section 3 of the MOA in releasing subsidy to ECs.</p>	<p>Implemented.</p> <p>Implemented.</p>
CY 2021 AAR, Observation No. 12 pages 79 - 83	<p>Deficiencies noted in the implementation of GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) are as follows:</p> <p>a. The attribution of SEP budget and European Union-Access to Sustainable Energy Programme (EU-ASEP) Top-up Grant totaling P1.875 billion to the GPB did not undergo the Harmonized Gender and Development Guidelines (HGDG) test upon budget preparation, contrary to Section 1.2.2.2.1 on budget attribution using the HGDG of</p>	<p>Require the Chairperson of the GFPS to:</p> <p>a. Adhere to the annual guidelines prescribed by the PCW in the attribution of agency major programs to the GAD budget;</p> <p>b. Provide a reasonable budget or estimate in the preparation of the annual GAD budget in accordance with PCW-NEDA-DBM Joint Circular No. 2012-01;</p> <p>c. Follow-up to the PCW on the status of endorsement of the GAD Plan and Budget (GPB); and</p>	<p>Reiterated in Audit Observation No. 6, pages 62 to 64 of this AAR.</p> <p>Reiterated in Audit Observation No. 7, pages 64 to 65 of this AAR.</p> <p>Implemented.</p>

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	<p>Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2020-05;</p> <p>b. The adjusted GAD allocation of P4.212 million for FY 2021 of NEA was far below the five percent requirement of the General Appropriations Act (GAA);</p> <p>c. The GPB was not yet endorsed by the PCW contrary to Section 1.2.5 of PCW MC No. 2020-05; and</p> <p>d. The GAD Accomplishment Report (AR) was not submitted within the deadline set in Item No. 1.1 of the PCW MC No. 2021-06 dated December 10, 2021.</p>	<p>d. Submit the GAD AR to the GMMS and furnish this Office with the PCW-endorsed GPB and GAD AR within the deadline set in Item No. 1.1 of the PCW MC No. 2021-06.</p>	Implemented.
CY 2021 AAR, Observation No. 15 pages 84 - 89	<p>The amount withheld for the GSIS and the Pag-IBIG Fund totaling P1.680 million and P52,975.74, respectively, remained unremitted as of year-end, contrary to Section 6 of Republic Act (RA) No. 8291 and Section 23 (a) of RA No. 9679.</p>	<p>Require the Accounting Division and the Human Resources and Administrations Department (HRAD) to:</p> <p>a. Analyze and reconcile the individual SL accounts under the Due to GSIS and Due to Pag-IBIG accounts especially those with abnormal debit balances and effect the necessary adjustments in the books of NEA to reflect the correct amount of payables to the GSIS and Pag-IBIG;</p>	Reiterated in Audit Observation No. 10, pages 67 to 70 of this AAR.

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		<p>b. Submit the Entry of Judgment concerning a Deputy Administrator to GSIS and remit his GSIS Life and Retirement Contribution amounting to P418,708.53 withheld from him;</p> <p>c. Remit to Pag-IBIG the contributions of P2,400.00 deducted from the salaries of the six new employees of NEA; and</p> <p>e. Ensure that all amounts withheld from the salaries of NEA's employees due to the GSIS and Pag-IBIG be remitted in full within ten calendar days of the following months pursuant to Section 6 of Republic Act (RA) No. 8291 and Section 23 (a) of RA No. 9679.</p>	<p>Implemented.</p> <p>Reiterated in Audit Observation No. 10, pages 67 to 70 of this AAR.</p> <p>Reiterated in Audit Observation No. 10, pages 67 to 70 of this AAR.</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. Discrepancies were noted between the Declaration of Real Properties (DRPs) and Sheriff Certificate of Sales (SCSs) on the exact land areas, locations, and</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> <p>i. Secure authenticated copy of the nine Declaration of Real Property;</p>	<p>Not implemented.</p> <p>The ongoing efforts on NEA foreclosed properties were interrupted by the Covid-19 pandemic.</p>

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	<p>declaration of real property numbers of the acquired foreclosed properties; and</p> <p>b. Foreclosed properties acquired in 1967 and 1972 remain untitled.</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. Secure the Transfer Certificate of Title (TCT) of the foreclosed</p>	<p>The Management is in the process of appointing a new Chairperson and Vice Chairperson for the Committee on NEA Foreclosed Properties.</p> <p>Not implemented.</p> <p>The ongoing efforts on NEA foreclosed properties were interrupted by the Covid-19 pandemic.</p> <p>The Management is in the process of appointing a new Chairperson and Vice Chairperson for the Committee on NEA Foreclosed Properties.</p> <p>Not implemented.</p> <p>The ongoing efforts on NEA foreclosed properties were interrupted by the Covid-19 pandemic.</p> <p>The Management is in the process of appointing a new Chairperson and Vice Chairperson for the Committee on NEA Foreclosed Properties.</p> <p>Not implemented.</p> <p>The ongoing efforts</p>

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		properties before considering leasing the property to private corporations to prevent future legal issues from third party claims over the properties.	on NEA foreclosed properties were interrupted by the Covid-19 pandemic. The Management is in the process of appointing a new Chairperson and Vice Chairperson for the Committee on NEA Foreclosed Properties.
CY 2020 AAR, Observation No. 7 pages 67 - 73	<p>Deficiencies were noted due to poor monitoring and management on the grant and liquidation of the subsidy fund to CASELCO amounting to P25.112 million 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</p>	<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 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>Reiterated in Audit Observation No. 3, pages 50 to 54 of this AAR.</p> <p>Not implemented.</p>

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	<p>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 was 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>c. 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 for the approval and release of the subsidy fund.</p>	Not implemented.
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>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>	Implemented.
CY 2019 AAR, Observation No. 5 pages 47 - 53	<p>The validity 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</p>	<p>a. Compile all available records and documents pertaining to Receivable from Disallowances/ Charges and continue to send</p>	Implemented.

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	accounts with negative balances and for adjustment/reconciliation totaling P43.142 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>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 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>Not Implemented.</p> <p>Once contact information of debtors/creditors is gathered, demand letters will be sent out.</p> <p>Not implemented.</p> <p>NEA will continue to expand the research efforts to obtain the necessary certificate of services rendered.</p> <p>Implemented.</p>

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		<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>	Implemented.
		<p>f. 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;</p>	Implemented.
		<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>Not implemented.</p> <p>Due to the limited access to contact information, demand letters will be sent out once necessary contact information of the debtors/creditors is gathered.</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</p>	Implemented.

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		<p>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 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>Implemented.</p> <p>Implemented.</p> <p>Implemented.</p> <p>Not Implemented. Ongoing reconciliation.</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	Analyse the Merchandise Inventory in Transit accounts with negative balances, and make necessary adjustments, where appropriate, taking into consideration COA Decision No. 2013-247	Implemented.

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	abnormal or credit balances amounting to P5.107 million and P12.223 million, respectively. Further, the 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).	and its recommendation to use Invitation for Bid (IFB) 74 as a model/tool in reconciling all other IFB accounts.	
CY 2019 AAR, Observation No. 16 pages 87 - 88	The subsidy releases to SULECO from January 16, 1996 to March 1, 2004 and from January 5, 2010 to June 30, 2019 for the line extension of 14 sitios/barangays from six projects were funded twice from various projects which is contrary to systematic and objective assessment of project evaluation process of NEA.	Reconcile subsidy funds released from January 16, 1996 to March 1, 2004 and from January 5, 2010 to June 30, 2019 to determine whether the projects implemented during January 16, 1996 to March 1, 2004 were funded twice.	Not implemented. Only 1 sitio/ barangay was justified by SULECO out of the 14 sitios/ barangays.