



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF ADMINISTRATORS

National Electrification Administration
Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of **National Electrification Administration (NEA)**, which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity, statements of cash flows for the years then ended, statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our report dated April 27, 2016, our opinion on the 2015 financial statements was qualified as per confirmation made with the Bureau of the Treasury (BTr), a significant variance of P12.110 billion was found existing between the P8.137 billion year-end balance of account, *Due to National Treasury*, representing Advances of the National Government (NG) through the BTr on NEA's foreign loans, and the P20.247 billion balance confirmed by the BTr. Of this noted variance, the amount of P6.499 billion or 54 percent pertained to NEA's unrecognized interests on NG Advances charged by BTr covering 1971 to 1989 foreign loans under the Bail-out Program, while the amount of P5.611 billion or 46 percent remained unreconciled as at year-end. As discussed in Note 11, NEA has already recorded the unbooked interest on NG advances amounting to P6.499 billion and reversed the entry made for the Foreign Currency Adjustment of Prior Years amounting to P3.500 billion. Further, BTr reversed in its books the amount of P2.111 billion representing maintenance of value risk. Accordingly, our present opinion on the 2015 financial statements is no longer qualified concerning this matter.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **National Electrification Administration** as at December 31, 2016 and 2015, its financial performance, cash flows for the years then ended and comparison of budget and actual amounts in accordance with Philippine Public Sector Accounting Standards.

Other Matter

Out of the total releases of P25.173 billion to electric cooperatives (ECs) for Sitio Electrification Project/Barangay Line Enhancement Program (SEP/BLEP), only P19.245 billion or 76.45 percent was liquidated and P5.928 billion or 23.55 percent remained unliquidated as of December 31, 2016. The accumulation of unliquidated year-end balance was brought about by having subsequent releases to the ECs despite non-liquidation of earlier releases, a practice allowed by NEA Management. Our opinion is not qualified in respect of this matter.

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 26 to the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with Philippine Public Sector Accounting Standards. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

By:


GLORINA B. SUSON
OIC - Supervising Auditor

May 23, 2017