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

Corporate Government Audit Sector
CLUSTER 3 – PUBLIC UTILITIES

May 30, 2024

National Electrification Administration
OFFICE OF THE ADMINISTRATOR
RECEIVED
MAY 30 2024
BY: TIME: 5:10

Mr. ANTONIO MARIANO C. ALMEDA
Administrator
National Electrification Administration
57 NEA Building, NIA Road, Government Center
Barangay Pinyahan, Diliman, Quezon City 1100

Dear Administrator Almeda:

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, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Audit Observations and Recommendations and Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of NEA for the years ended December 31, 2023 and 2022.

The significant audit observations and recommendations that need immediate action are as follows:

1. Unexpended subsidy fund representing current and prior years audit of 40 Electric Cooperatives (ECs) has accumulated to P1.439 billion as of December 31, 2023, and not returned to NEA despite the lapse of 9.5 years due to NEA's laxity and inconsistent enforcement of the provisions of the Memorandum of Agreement (MOA) and applicable NEA-issued Memoranda, contrary to Item Nos. 5, 6, and 7 of the MOA entered into by and between NEA and ECs and NEA Memorandum Nos. 2013-023 and 2015-036 as amended, depriving the National Government of the much-needed subsidy funds for the implementation of other electric service projects.

2. Subsidy funds released to various ECs for the implementation of Rural Electrification Programs totaling P992.593 million remain unliquidated and non-remitted as of December 31, 2023, due to NEA's inadequate enforcement of Item Nos. 3, 4, 6, and 7 of the MOA entered into by and between NEA and ECs.

For the above observations, we recommended that Management:

1. Require the Accounts Servicing Division (ASD) to: a) review the status of the unexpended balances of the 40 Electric Cooperatives (ECs) and refer to the Legal Services Office for appropriate legal action, if necessary, including the sending of demand letters to all 40 ECs for the return to NEA of the unexpended balance of subsidy funds and/or the immediate submission of the required additional supporting documents for liquidation; b) review the current existing guidelines relative to the liquidation of the subsidy fund received by ECs and, if necessary, recommend revisions that will address the discrepancies noted; c) strictly implement the actions to be taken in the evaluation of the liquidation documents submitted by ECs as stated in the Revised Guidelines on the Liquidation of Subsidy Funds released to

ECs issued on December 11, 2023; d) conduct thorough verification and evaluation of liquidation documents to ensure correctness and validity of disbursements included in the Accounting of Funds and before clearing the accounts of the ECs in NEA's books of accounts; and e) direct the concerned ECs to return and monitor the disbursements determined as non-allowable charges.

2. a) instruct the Disaster Risk Reduction and Management Department (DRRMD), Total Electrification and Renewable Development Department (TEREDD), and ASD to promptly evaluate EC's request for reconsideration, inspect and evaluate completed projects, and expedite the processing and evaluation of liquidation documents for subsidy funds totaling P495.562 million; b) direct the TEREDD/DRRMD to rigorously monitor and recommend remedial actions to concerned ECs for unfinished projects totaling P212.376 million that have exceeded the required implementation and completion dates; c) require the ASD to instruct the concerned ECs to liquidate the P49.912 million subsidy funds already overdue for liquidation by submitting all necessary documents, including the Certificate of Final Inspection and Acceptance and Accounting of Funds together with the supporting documents and justifications; and d) direct the concerned ECs to return and monitor unutilized subsidy funds for more than 3 years amounting to P44.800 million.

These, together with the other audit observations and recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 24, 2024 are discussed in detail in Parts II and III of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be 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 submitting 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:

MARILYN C. BRIONES
Acting Director IV

Copy furnished:

The President 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
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

NATIONAL ELECTRIFICATION ADMINISTRATION

For the Years Ended December 31, 2023 and 2022

EXECUTIVE SUMMARY

A. Introduction

NEA was created as a national government agency by virtue of Republic Act (RA) Nos. 2717 and 6038 dated June 19, 1960 and August 4, 1969, respectively. On August 6, 1973, Presidential Decree (PD) No. 269 was issued converting NEA into a government-owned and controlled corporation and declaring a national policy objective for the total electrification of the Philippines on an area coverage basis and the organization, promotion, and development of viable rural electric cooperatives (ECs) to attain the said objective. Moreover, NEA is geared towards the uplifting of the standard of living in rural areas by the service of electricity.

On June 8, 2001, RA No. 9136, or the Electric Power Industry Reform Act (EPIRA) of 2001, was enacted. Section 58 of the said law gave NEA the following additional mandates and increased NEA's authorized capital from P5 billion to P15 billion:

a. To prepare the ECs to operate and compete under the deregulated electricity market within five years from the effectivity of the act;

b. To strengthen the technical capability and financial viability of rural ECs; and

c. To review and upgrade regulatory policies to enhance the viability of the ECs as electric utilities.

Administrative Order (AO) No. 112 dated December 7, 2004, directed the NEA to take full and sole authority and responsibility for the conversion of ECs into stock cooperatives. Under the AO, the NEA Board of Administrators promulgated the Guidelines in the Conduct of ECs Referendum (GCECR) to convert into either a stock cooperative under the Cooperative Development Authority or a stock corporation under the Securities and Exchange Commission.

On May 7, 2013, then President Benigno S. C. Aquino III, signed into law the National Electrification Administration Reform Act of 2013 (RA No. 10531) which amended the NEA Charter (PD No. 269) and increased NEA's authorized capital stock to P25 billion divided into 250 million shares with a par value of one hundred pesos (P100). The law aims to:

a. Promote sustainable development in rural areas through rural electrification;

b. Empower and strengthen NEA to pursue the electrification program, providing electricity through the ECs to the countryside and other economically unviable areas; and

c. Empower and enable ECs to cope with the changes brought about by restructuring of the electric power industry pursuant to RA No. 9136.

As of December 31, 2023, NEA is headed by Administrator Antonio Mariano C. Almeda with the following key management personnel: four (4) members of the NEA Board of Administrators (BOA), and the four (4) Deputy Administrators (DA), namely: DA for Technical Services, DA for EC Management Services, DA for Corporate Resources and

Financial Services, and DA for Legal Services. NEA is currently equipped with a total of 305 personnel out of 410 approved plantilla positions.

B. Financial Highlights

Shown below are the comparative financial position and financial performance including budget utilization of the NEA for CYs 2023 and 2022 (in thousand pesos).

I. Financial Position

Particulars	2023	2022 (As Restated)	Increase (Decrease)
Assets	18,527,049	18,543,799	(16,750)
Liabilities	7,995,052	7,999,938	(4,886)
Equity	10,531,997	10,543,861	(11,864)

II. Results of Operations

Particulars	2023	2022 (As Restated)	Increase (Decrease)
Total Revenue	616,658	625,091	(8,433)
Total Expenses	(528,996)	(494,990)	34,006
Surplus from Operations	87,662	130,101	(42,439)
Non-Operating Income	10,657	7,699	2,958
Surplus Before Tax	98,319	137,800	(39,481)
Income Tax	(27,271)	(34,347)	(7,076)
Surplus for the Period	**71,048**	**103,453**	**(32,405)**

III. Budget Utilization

Particulars	Budget	Expenditures
Personnel Services	471,298	343,569
Maintenance and Other Operating Expenses	365,985	223,148
Capital Outlay	98,347	9,123
Total	**935,630**	**575,840**

C. Scope and Objectives of Audit

The audit covered the examination, on a test basis, of the accounts and transactions of NEA for the period January 1 to December 31, 2023. It was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) to enable us to express an opinion on the fairness of the presentation of the financial statements for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance of NEA with pertinent laws, rules, and regulations, as well as adherence to prescribed policies and procedures.

D. Auditor's Opinion

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of NEA as at December 31, 2023 and 2022.

E. Significant Audit Observations and Recommendations

Below are the observations together with the audit recommendations that need immediate action, which are discussed in detail in Part II of the Report:

1. Unexpended subsidy fund representing current and prior years audit of 40 ECs has accumulated to P1.439 billion as of December 31, 2023, and not returned to NEA despite the lapse of 9.5 years due to NEA's laxity and inconsistent enforcement of the provisions of the Memorandum of Agreement (MOA) and applicable NEA-issued Memoranda, contrary to Item Nos. 5, 6, and 7 of the MOA entered into by and between NEA and ECs and NEA Memorandum Nos. 2013-023 and 2015-036 as amended, depriving the National Government of the much-needed subsidy funds for the implementation of other electric service projects.

   Recommendations:

   a. Require the Accounts Servicing Division to review the status of the unexpended balances of the 40 ECs and refer to the Legal Services Office for appropriate legal action, if necessary, including the sending of demand letters to all 40 ECs for the return to NEA of the unexpended balance of subsidy funds and/or the immediate submission of the required additional supporting documents for liquidation;

   b. Require the Accounts Servicing Division to review the current existing guidelines relative to the liquidation of the subsidy fund received by ECs and, if necessary, recommend revisions that will address the discrepancies noted;

   c. Require the Accounts Servicing Division to strictly implement the actions to be taken in the evaluation of the liquidation documents submitted by ECs as stated in the Revised Guidelines on the Liquidation of Subsidy Funds released to ECs issued on December 11, 2023;

   d. Require the Accounts Servicing Division to conduct thorough verification and evaluation of liquidation documents to ensure correctness and validity of disbursements included in the Accounting of Funds and before clearing the accounts of the ECs in NEA's books of accounts; and

   e. Require the Accounts Servicing Division to direct the concerned ECs to return and monitor the disbursements determined as non-allowable charges.

2. Subsidy funds released to various ECs for the implementation of Rural Electrification Programs totaling P992.593 million remain unliquidated and non-remitted as of December 31, 2023, due to NEA's inadequate enforcement of Item Nos. 3, 4, 6, and 7 of the MOA entered into by and between NEA and ECs.

   Recommendations:

   a. Instruct the Disaster Risk Reduction and Management Department (DRRMD), Total Electrification and Renewable Development Department (TEREDD), and Accounts Servicing Division (ASD) to promptly evaluate EC's request for reconsideration, inspect and evaluate completed projects, and expedite the processing and evaluation of liquidation documents for subsidy funds totaling P495.562 million;

   b. Direct the TEREDD/DRRMD to rigorously monitor and recommend remedial actions to concerned ECs for unfinished projects totaling P212.376 million that have exceeded the required implementation and completion dates;

   c. Require the ASD to instruct the concerned ECs to liquidate the P49.912 million subsidy funds already overdue for liquidation by submitting all necessary documents, including the Certificate of Final Inspection and Acceptance, Accounting of Funds together with its supporting documents and justifications; and

   d. Direct the concerned ECs to return and monitor unutilized subsidy funds for more than 3 years amounting to P44.800 million.

F. Summary of Audit Suspensions, Disallowances, and Charges

Based on the Statement of Audit Suspensions, Disallowances, and Charges as of December 31, 2023, the unsettled audit disallowances of the NEA amounted to P133.468 million. Details are found in Part II of this Report.

G. Status of Implementation of Prior Years' Audit Recommendations

Out of the 34 audit recommendations embodied in the prior years' Annual Audit Reports, 22 were implemented, three were closed, and nine were not implemented, four of which were reiterated in Part II of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF ADMINISTRATORS
National Electrification Administration
57 NEA Building, NIA Road, Government Center
Barangay Pinyahan, Diliman, Quezon City 1100

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the **National Electrification Administration (NEA)**, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, and statement of comparison of budget and actual amounts for the year ended December 31, 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NEA as at December 31, 2023 and 2022, and its financial performance and cash flows for the years then ended, in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NEA in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, 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.

In preparing the financial statements, management is responsible for assessing the NEA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NEA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NEA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 NEA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NEA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NEA to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required in Revenue Regulations No. 15-2010 in Note 28 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

HUMPHRY G. TORRES
Supervising Auditor
April 25, 2024

April 25, 2024

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of the **NATIONAL ELECTRIFICATION ADMINISTRATION** (NEA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing NEA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate NEA or to cease operations, or has no realistic alternative to do so.

The Board of Administrators is responsible for overseeing NEA's financial reporting process.

The Board of Administrators reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

The Commission on Audit has audited the financial statements of NEA in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Administrators has expressed its opinion on the fairness of the presentation upon completion of such audit.

COA - NEA
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By: RS Time: 5:42 pm

MARIO C. MARASIGAN
Alternate of the Chairman of the Board

Date Signed

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 1 6 2024 IN QC.

ATTY. VIC P. ALVARO
Deputy Administrator
Corporate Resources and Financial Services

Date Signed

ANTONIO MARIANO C. ALMEDA
Administrator

Date Signed

ATTY. CONCEPCION P. VILLARAMA
Notary Public for Quezon
Until December 31, 2025
PTR No. 5565783 / January 4, 2024 Q.C.
IBP No. 399898 / Jan. 24, 2024 / Q.C.
Roll No. 30457 / [illegible]
MCLE VII-0006954 / 08/21/20[illegible]
Adm. Matter No. NP-021 (2024-[illegible]

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NATIONAL ELECTRIFICATION ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND 2022

	NOTE	2023	2022 (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	3,636,092,770	4,139,727,954
Receivables	6	5,945,829,922	5,090,178,000
Inventories	7	7,725,269	2,667,816
Other Assets	9	5,452,564	4,107,217
Total Current Assets		**9,595,100,525**	**9,236,680,987**
Non-Current Assets			
Receivables	6	8,764,631,492	9,132,201,064
Property Plant and Equipment	8	154,508,298	160,742,767
Other Assets	9	12,808,641	14,174,305
Total Non-Current Assets		**8,931,948,431**	**9,307,118,136**
Total Assets		**18,527,048,956**	**18,543,799,123**
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	51,650,812	71,262,811
Inter-Agency Payables	11	5,574,394,273	5,655,281,003
Trust Liabilities	12	1,620,759,392	1,646,305,245
Provisions	13	79,353,316	47,631,192
Other Payables	14	18,472,952	18,470,717
Total Current Liabilities		**7,344,630,745**	**7,438,950,968**
Non-Current Liabilities			
Deferred Credits	15	574,910,926	472,091,886
Provisions	13	75,510,714	88,894,834
Total Non-Current Liabilities		**650,421,640**	**560,986,720**
Total Liabilities		**7,995,052,385**	**7,999,937,688**
Net Assets (Total Assets Less Total Liabilities)		**10,531,996,571**	**10,543,861,435**
NET ASSETS/EQUITY			
Government Equity	23	4,970,461,024	4,970,461,024
Contributed Capital	24	177,560,561	177,560,561
Accumulated Surplus		5,383,974,986	5,395,839,850
Total Net Assets/Equity		**10,531,996,571**	**10,543,861,435**

The notes on pages 10 to 59 form part of these statements.

NATIONAL ELECTRIFICATION ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	NOTE	2023	2022 (As Restated)
Revenue			
Service and Business Income	16	616,658,038	625,090,546
Total Revenue		**616,658,038**	**625,090,546**
Current Operating Expenses			
Personal Services	17	361,613,408	351,228,322
Maintenance and Other Operating Expenses	18	133,845,086	126,597,057
Financial Expenses	19	24,162	12,719
Non-Cash Expenses	20	33,513,432	17,151,657
Total Current Operating Expenses		**528,996,088**	**494,989,755**
Surplus from Current Operation		**87,661,950**	**130,100,791**
(Losses)/Gains	21.1	(442,116)	917,125
Other Income	21.2	11,099,682	6,782,274
Surplus Before Tax		**98,319,516**	**137,800,190**
Income Tax Expense	22	27,271,067	34,347,079
Surplus After Tax		**71,048,449**	**103,453,111**
Net Surplus for the Period		**71,048,449**	**103,453,111**

The notes on pages 10 to 59 form part of these statements.

NATIONAL ELECTRIFICATION ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Accumulated Surplus	Government Equity (Note 23)	Contributed Capital (Note 24)	Total Equity
BALANCE AT JANUARY 1, 2022	5,344,940,635	4,970,461,024	177,560,561	10,492,962,220
CHANGES IN NET ASSETS/EQUITY FOR CY 2022				
Add (Deduct):				
Surplus for the year	103,453,111	0	0	103,453,111
Prior period adjustments	20,248,387	0	0	20,248,387
Dividends	(72,802,283)	0	0	(72,802,283)
RESTATED BALANCES AT DECEMBER 31, 2022	**5,395,839,850**	**4,970,461,024**	**177,560,561**	**10,543,861,435**
CHANGES IN NET ASSETS/EQUITY FOR CY 2023				
Add (Deduct):				
Surplus for the year	71,048,449	0	0	71,048,449
Prior period adjustments	(28,752,639)	0	0	(28,752,639)
Dividends	(54,160,674)	0	0	(54,160,674)
BALANCES AT DECEMBER 31, 2023	**5,383,974,986**	**4,970,461,024**	**177,560,561**	**10,531,996,571**

The notes on pages 10 to 59 form part of these statements.

NATIONAL ELECTRIFICATION ADMINISTRATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of loans receivables	2,115,863,785	2,290,278,111
Receipt of subsidy from the National Government for Implementation of projects	1,732,645,928	3,613,345,696
Receipt of trust liabilities	168,270,904	28,365,060
Interest income from bank deposits	13,274,212	5,957,821
Collection of service and other income	14,451,985	18,325,850
Cancellation of Staled checks issued in prior years	0	86,637
Refund of Cash Advance and deposit	193,776	70,281
Collection of other receivables	338,325,411	273,434,022
Other cash receipts	316,927,539	2,557,304
Total Cash Inflows	**4,699,953,540**	**6,232,420,782**
Cash Outflows		
Release of loans to electric cooperatives	(1,102,540,867)	(1,818,216,798)
Grant of subsidies and donations	(3,290,493,351)	(2,553,822,285)
Payment of personal services	(243,262,944)	(204,277,100)
Payment of maintenance and other operating expenses	(123,066,869)	(106,623,835)
Remittance and refund of authorized deduction withheld on employees	(116,503,385)	(111,775,926)
Payment for accounts payable	(62,977,632)	(127,627,406)
Remittance of corporate income tax	(32,582,056)	(55,968,458)
Grant of cash advance and other advances	(4,476,037)	(4,341,970)
Payment for prepayments	(3,032,281)	(2,890,261)
Remittance of taxes withheld from suppliers, contractors, and other creditors	(11,787,976)	(6,815,807)
Payment for purchases of inventories, supplies, and materials for stock	(1,818,037)	(2,904,571)
Replenishment of petty cash fund	(518,722)	(533,979)
Refund of Subsidy to the National Government	(3,373,393)	(21,890,529)
Refund of Other Liabilities (ALECO)	(143,743,988)	0
Other cash payments	(1,611,342)	(19,795,865)
Total Cash Outflows	**(5,141,788,880)**	**(5,037,484,790)**
Net Cash (Used in) Provided by Operating Activities	**(441,835,340)**	**1,194,935,992**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash Outflows		
Purchase of property and equipment	(7,639,171)	(609,997)
Total Cash Outflows	**(7,639,171)**	**(609,997)**
Net Cash Used in Investing Activities	**(7,639,171)**	**(609,997)**
CASH FLOW FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of dividends	(54,160,674)	(72,802,283)
Total Cash Outflows	**(54,160,674)**	**(72,802,283)**
Net Cash Used in Financing Activities	**(54,160,674)**	**(72,802,283)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(503,635,184)	1,121,523,712
CASH AND CASH EQUIVALENTS, JANUARY 1	4,139,727,954	3,018,204,242
CASH AND CASH EQUIVALENTS, DECEMBER 31	**3,636,092,770**	**4,139,727,954**

NATIONAL ELECTRIFICATION ADMINISTRATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Particulars	Note	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference of Final Budget and Actual
		Original	Final		
RECEIPTS					
Services and Business Income	26	607,697,000	607,697,000	517,895,868	89,801,132
Others	26	97,693,000	97,693,000	109,794,365	(12,101,365)
Total Receipts		**705,390,000**	**705,390,000**	**627,690,233**	**77,699,767**
PAYMENTS					
Personnel Services	26	471,298,000	471,298,000	343,569,324	127,728,676
Maintenance and Other Operating Expenses	26	365,985,400	365,985,400	223,147,499	142,837,901
Capital Outlay	26	98,347,000	98,347,000	9,122,990	89,224,010
Total Payments		**935,630,400**	**935,630,400**	**575,839,813**	**359,790,587**
NET RECEIPTS/ PAYMENTS		**(230,240,400)**	**(230,240,400)**	**51,850,420**	**(282,090,820)**

The notes on pages 10 to 59 form part of these statements.

NATIONAL ELECTRIFICATION ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION/ENTITY PROFILE

The National Electrification Administration (NEA) was created as a national government agency by virtue of Republic Act (RA) Nos. 2717 and 6038 dated June 19, 1960, and August 4, 1969, respectively. It existed as such for more than 10 years. On August 6, 1973, Presidential Decree (PD) No. 269 was issued, converting NEA into a Governme nt-Owned and/or Controlled Corporation (GOCC) with an authorized capital stock of P1 billion and declaring a national policy objective for the total electrification of the Philippines on an area coverage basis and the organization, promotion, and development of viable rural Electric Cooperatives (ECs) to attain the said objective. Moreover, NEA is geared towards the uplifting of the standard of living in rural areas through the service of electricity. PD No. 1370, issued on May 2, 1978, increased NEA's capital stock to P2 billion.

On October 8, 1979, PD No. 1645 amended certain provisions in PD Nos. 269 and 1370 which raised NEA's authorized capital stock to P5 billion and expanded its functions to include the development of mini-hydro and dendro-thermal projects.

On June 8, 2001, RA No. 9136 better known as the Electric Power Industry Reform Act (EPIRA) of 2001 was enacted. Section 58 of the said law gave NEA an additional mandate as follows:

a. To prepare the ECs in operating and competing under the deregulated electricity market within five years from the effectivity of the act;

b. To strengthen the technical capability and financial viability of rural ECs; and

c. To review and upgrade regulatory policies with a view to enhancing the viability of the ECs as electric utilities.

The EPIRA increased NEA's authorized capital from P5 billion to P15 billion. However, no additional infusion was received from the National Government (NG). Administrative Order (AO) No. 112 dated December 7, 2004, directed the NEA to take full and sole authority and responsibility for the conversion of ECs into stock cooperatives. Under the AO, the NEA Board of Administrators promulgated the Guidelines in the Conduct of ECs Referendum (GCECR) to convert into either a stock cooperative under the Cooperative Development Authority (CDA) or a stock corporation under the Securities and Exchange Commission (SEC).

On September 2, 2005, Memorandum Order (MO) No. 187 was issued by the Office of the President setting the guidelines on the conversion of ECs. In compliance with the MO, the NEA Board of Administrators, in its Resolution No. 116 dated October 5, 2005, approved the amendment to the NEA GCECR.

On May 7, 2013, RA No. 10531, better known as the "National Electrification Administration Reform Act of 2013", was signed into law which aims to:

a. Promote the sustainable development in rural areas through rural electrification;

b. Empower and strengthen NEA to pursue the electrification program and bring electricity through the ECs as its implementing arm to the countryside and economically unviable areas; and

c. Empower and enable ECs to cope with the changes brought about by the restructuring of the electric power industry pursuant to RA No. 9136.

RA No. 10531 further increased NEA's authorized capital from P15 billion to P25 billion. However, as at December 31, 2023, the NG has made no additional subscription.

NEA's registered address and principal place of business is No. 57 NEA Building, NIA Road, Government Center, Barangay Pinyahan, Diliman, Quezon City 1100.

The financial statements of the NEA were authorized for issue on April 16, 2024, as shown in the Statement of Management's Responsibility for Financial Statements, signed by Mario C. Marasigan, Alternate of the Chairman of the Board, Antonio Mariano C. Almeda, NEA Administrator, and Atty. Vic P. Alvaro, Deputy Administrator for Corporate Resources and Financial Services.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSAS) with the corresponding Philippine Application Guidance (PAG) prescribed under the relevant issuances of the Commission on Audit (COA).

The IPSAS, formerly Philippine Public Sector Accounting Standards (PPSASs), was prescribed for adoption by the COA through COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-001 dated January 9, 2020.

The accounting policies are consistently applied throughout the year presented.

The financial statements are prepared based on historical cost unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in the Philippine peso (P), which is also the country's functional currency. Amounts are rounded off to the nearest peso unless stated otherwise. *(Paragraphs 63.d and 63.e, IPSAS 1)*

The preparation of financial statements in compliance with the adopted IPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements are prepared on an accrual basis in accordance with IPSAS. *(Paragraphs 1-2, IPSAS 1)*

3.2 Financial Instruments

a. Financial Assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 41 – Financial Instrument are classified as financial assets at fair value through surplus or deficit, held to maturity investments, loans, and receivables, or available-for-sale, as appropriate. The NEA determines the classification of its financial assets at initial recognition.

NEA's financial assets include *Cash* and Cash Equivalents *(See Notes 3.3 and 5)* and Loans Receivable. *(See Notes 3.4 and 6)*

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

The NEA derecognizes a financial asset or, where applicable, a part of a financial asset or part of similar financial assets when:

1. The contractual rights to the cash flows from the financial assets expired or waived; and

2. The NEA has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive

the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions provided in *IPSAS 41 – Financial Instrument*.

iv. Impairment of financial assets

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the financial asset's original effective interest rate.

b. Financial Liabilities

i. Initial recognition and measurement

Financial Liabilities within the scope of IPSAS 41 are classified as financial assets at fair value through surplus or deficit, or loans and borrowings, as appropriate. The NEA determines the classification of its financial liabilities at initial recognition.

NEA's financial liabilities include Accounts Payable and Due to Officers and Employees. *(See Note 10)*

ii. Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for selling in the near term.

This category includes derivatives instruments not designated as hedging instruments in hedge relationships as defined by IPSAS 41.

Gains or losses on liabilities held for trading are recognized in surplus or deficit. *(Paragraph 9, IPSAS 41; Paragraph 45(a), IPSAS 41; Paragraph 101, IPSAS 41)*

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. (*Paragraphs 8-9 and 56, IPSAS 2)*

3.4 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using an effective interest method, with less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit. *(Paragraph 40, IPSAS 41)*

NEA's Loans and Receivables include Loans Receivables, Inter-Agency Receivables, and Other Receivables. *(See Note 6)*

Loans Receivables balance as at December 31, 2023, is presented at amortized cost using the effective interest method. *(Paragraphs 69 and 70, IPSAS 41)*

Starting the 3rd quarter of CY 2022, the interest during the grace period is no longer capitalized and is being recognized as it falls due (quarterly).

3.5 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or a nominal cost), the cost of the inventory is its fair value at the date of acquisition. (*Paragraph 15, IPSAS 12)*

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. *(Paragraph 17, IPSAS 12)*

Net realizable value is the estimated selling price in the course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventory is recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of NEA.

Further, since the adoption of the e-NGAS in 2005, the Office Supplies Inventory is generated by the system and is automatically computed based on the weighted average cost of the items.

Semi-expendable properties are tangible items that meet the definition and recognition criteria of Property, Plant, and Equipment (PPE), but below the capitalization threshold prescribed by the COA. These tangible items are recognized in the books as inventories; hence, measured at cost upon initial recognition, and at the lower of cost or current replacement cost at the reporting date. Semi-expendable properties are not subject to depreciation but are subject to impairment and are expensed when issued to an accountable officer or end user.

3.6 Property, Plant, and Equipment

a. Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria of a PPE.

The characteristics of PPE are as follows: *(Paragraph 13, IPSAS 17)*

i. Tangible items;

ii. Are held for use in the production or supply of goods or services, for rental to others, or administrative purposes; and

iii. Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if: *(Paragraph 14, IPSAS 17)*

i. It is probable that future economic benefits or service potential associated with the item will flow to the entity;

ii. The cost or fair value of the item can be measured reliably; and

iii. The cost is at least P50,000 per COA Circular No. 2022-004 dated May 31, 2022, on the increase in the capitalization threshold from P15,000 to P50,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost. A PPE acquired through a non-exchange transaction is measured at its fair value as at the date of acquisition. *(Paragraphs 26-27, IPSAS 17)*

The cost of the PPE is the cash price equivalent or for PPE acquired through a non-exchange transaction, its cost is its fair value as at the recognition date.

Cost includes the following: *(Paragraph 30, IPSAS 17)*

i. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

ii. Expenditure that is directly attributable to the acquisition of the items; and

iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses. *(Paragraph 43, IPSAS 17)*

When significant parts of PPE are required to be replaced at intervals, the NEA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expenses.

d. Depreciation

Each part of an item of PPE with a cost that is significant to the total cost of the item is depreciated separately. *(Paragraph 59, IPSAS 17)*

The depreciation charge for each period is recognized as an expense unless it is included in the cost of another asset. *(Paragraph 64, IPSAS 17)*

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. *(Paragraph 71, IPSAS 17)*

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight-line method of depreciation is adopted.

iii. Estimated useful life

The NEA uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset. The details are shown in the table below:

Assets	Estimated Useful Life (In Years)
Buildings	30
Land Improvements	10
Furniture and Fixtures	10
Communication Equipment	10
Motor Vehicles	7
Office Equipment	5
IT Equipment and Software	5
Technical Equipment	5
Other Machinery and Equipment	5

iv. Residual value

The NEA uses a residual value equivalent to ten per cent (10%) of the cost of the PPE.

a. Impairment

The PPE's carrying amount is written down to its recoverable amount, or recoverable service amount if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

b. Derecognition

The NEA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. The difference between the net disposal proceeds and the carrying amount of the asset is treated as gain or loss when the asset is derecognized. *(Paragraphs 82-83 and 86, IPSAS 17)*

3.7 Leases

a. Finance Lease – NEA as a lessee

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Gross investment in the lease is the aggregate of the minimum lease payments receivable by the lessor and any guaranteed residual value accruing to the lessor. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. Initial direct costs incurred in negotiating and arranging a lease are incremental costs of the leased asset, except for such costs incurred by the lessor.

The depreciation policies for PPE are applied to similar assets leased by the entity.

b. Operating Lease – NEA as a lessor

Leases other than finance leases are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight-line basis over the lease term.

The depreciation policies for PPE are applied to similar assets leased by the entity.

The NEA has no leased assets as at December 31, 2023 and 2022.

3.8 Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date. *(Paragraph 23, IPSAS 4)*

At each reporting date: *(Paragraph 26, IPSAS 4)*

a. Foreign currency monetary items are translated using the closing rate;

b. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation. *(Paragraph 32, IPSAS 4)*

3.9 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable. *(See Note 16)*

b. Rendering of Services

The NEA recognizes revenue from the rendering of services when the outcome of the transaction can be measured reliably. *(See Note 16)*

c. Interest Income

Interest income is recognized using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

3.10 Revenue from Non-Exchange Transactions

a. *Measurement of revenue*

Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity unless it is also required to recognize a liability. Where a liability is recognized and subsequently reduced, because the taxable event occurs, or a condition is satisfied, the amount of the reduction in the liability will be recognized as revenue. *(Paragraphs 48 and 49, IPPSAS 23)*

3.11 Income and Expenses

Income includes both revenues and gains. Revenue arises in the course of the ordinary activities of the agency while gains include those arising on the disposal of non-current assets.

Income is recognized when earned or collected. It is measured at fair value of the consideration received or receivable. Interest income on overdue accounts is recognized only upon receipt of the actual payment or when arrangements are formalized for its renewal, extension, or restructuring. *(Paragraph 14, IPSAS 9)*

Donations in cash or in kind are recognized as income upon receipt.

Expenses are recognized upon receipt of goods or utilization of services.

3.12 Changes in Accounting Policies and Estimates

The NEA recognizes the effects of changes in accounting policy retrospectively. *(Paragraph 27, IPSAS 3*)

The effect of changes in accounting policy is applied prospectively if retrospective application is impractical. *(Paragraph 30, IPSAS 3)*

The effects of changes in accounting estimates are recognized prospectively through surplus or deficit.

Implementation of COA Circular No. 2022-004 dated May 31, 2022 – Guidelines on the Implementation of Section 23 of the General Provisions of RA No. 11639 also known as the General Appropriations Act (GAA) for Fiscal Year (FY) 2022 relative to the increase in the capitalization threshold from P15,000 to P50,000.

The new COA Circular is considered a change in accounting policy and shall be applied retrospectively.

The new capitalization threshold was applied for all tangible items purchased in FY 2022 and prior years. The NEA recognized the effects of change in accounting policy in the first set of financial statements authorized for issue and restated the opening balance of the affected component of PPE for the earliest prior period presented.

3.13 Adjustments, Reclassifications, Restatements and Correction of Errors

Restatement

Retrospective restatement is correcting the recognition, measurement, and disclosure of amounts of elements of financial statements as if a prior period error had never occurred. *(Paragraph 7, IPSAS 3)*

Errors

Errors can arise in respect of the recognition, measurement, presentation, or disclosure of elements of financial statements. *(Paragraph 46, IPSAS 3*)

The NEA corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after the discovery of NEA by: *(Paragraph 47, IPSAS 3)*

i. Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

ii. If the error occurred before the earliest prior period presented, restate the opening balances of assets, liabilities, and net assets/equity for the earliest prior period presented.

3.14 Events after the Reporting Date

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. *(Paragraph 5, IPSAS 14)*

Two types of events can be identified:

i. Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

ii. Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

3.15 Budget Information

The annual budget is prepared on a cash basis and is published on the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared and presented showing the original and final budget and the actual amounts on a comparable basis to the budget. *(IPSAS 24)*

Explanatory comments are provided in the notes to the financial statements. *(See Note 26)*

3.16 Related Parties

Key Management Personnel

The key management personnel of the NEA are the Administrator, four (4) members of the NEA Board of Administrators (BOA), and the four (4) Deputy Administrators (DA), namely: DA for Technical Services, DA for EC Management Services, DA for Corporate Resources and Financial Services, and DA for Legal Services.

Key Management Personnel Remuneration

Salaries and allowances received and expenses incurred by the key officers in the conduct of their official functions are as follows:

Particulars	2023	2022
Salaries and wages/Allowances and Other Benefits	21,892,220	13,105,701
Per Diem on NEA Board Meetings	2,196,000	2,148,000
Total	**24,088,220**	**15,253,701**

A significant increase in key management compensation was due to the implementation of Compensation and Position Classification System (CPCS) with retrospective application from October 5, 2021.

Key management compensation forms part of the Personnel Services as presented under Note 17.

Remuneration and Other Benefits Provided to Close Family Members of Key Management Personnel

The NEA provided no remuneration and other benefits to close family members of key management personnel for CYs 2023 and 2022.

3.17 Employee benefits

The employee benefits include short-term employee benefits, which are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services such as:

a. Salaries and Wages;
b. Paid annual leave and paid sick leave; and
c. Allowances and Bonuses;

The permanent employees of the NEA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. The GSIS administers the plan, including payment of pension benefits to employees to whom the Act applies. Social insurance (Life and Retirement) benefits are mandatory defined contribution plans fixed at nine (9) per cent of the basic salaries of regular government employees.

These expenses are recorded under Personnel Services.

3.18 Measurement of Uncertainty

The preparation of financial statements in conformity with IPSASs requires Management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated employee benefits, impairment of assets, etc.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Contingent Assets

NEA does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NEA in the Notes to Financial Statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become certain that an inflow of economic benefits will arise, and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements in the period in which the change occurs.

Contingent Liabilities

Contingent Liabilities are not recognized but are disclosed in the Notes to Financial Statements unless the possibility of an outflow of assets embodying economic benefits is remote.

4. PRIOR PERIOD ADJUSTMENTS

The details of the account are as follows:

Particulars	2023	2022 (As restated)
Adjustment on Subsidy	17,535,842	35,146,955
Adjustment on the Provision of Impairment Loss	5,644,985	4,799,592
Adjustment on Payables	0	2,141,516

Particulars	2023	2022 (As restated)
Other Prior Years' Expenses	3,324,497	2,248,087
Other Prior Years' Adjustment	0	4,252,351
GSIS All-Risk Insurance	592,278	495,654
Notice of Disallowance	0	480,000
Adjustment on Interest Income on Deposits	3,398,987	306,645
Prior Years' Income	201,825	5,302
Sub-Total	**30,698,414**	**49,876,102**
Adjustment on CPCS	(25,136,430)	(5,717,584)
Other Prior Years' Adjustment	(17,901,192)	0
Write-off of Dormant Account	(10,936,750)	0
Return of Unexpended Yolanda Recovery and Rehabilitation Plan (YRRP) Fund	(3,373,393)	(21,890,529)
Adjustment on PPE	(2,103,288)	0
Subsidiary Ledger Adjustment	0	(815,317)
Adjustment on PPE	0	(1,204,285)
Sub-Total	**(59,451,053)**	**(29,627,715)**
Total	**(28,752,639)**	**20,248,387**

The beginning balance of Retained Earnings in 2023 decreased by P20.248 million. This was mainly due to the following:

a. Payment of prior years' expenses, particularly the payment of Salary Differentials for CY 2021, and the Approved New Salary Structure for Category 2 Tier 4 of the CPCS under Executive Order (EO) No. 150;

b. Write-off of dormant accounts receivable from various Municipal Electric Plants and Private Franchises as per COA Decision No. 2023-001 and Corporate Government Audit Sector (CGAS)-Cluster 3 Decision No. 2023-21 dated July 25, 2023, and August 9, 2023, respectively; and

c. Return of YRRP Fund to the Bureau of Treasury (BTr) representing interest earned by ECs and excess/unexpended funds returned by ECs to NEA.

5. CASH AND CASH EQUIVALENTS

The breakdown of this account is as follows:

Particulars	2023	2022
Cash on Hand	9,588	24,420
Cash in Bank – Local Currency	3,048,181,368	3,547,389,928
Cash in Bank – Foreign Currency	0	991,698
Cash Equivalents	587,901,814	591,321,908
Total	**3,636,092,770**	**4,139,727,954**

Cash on Hand represents Petty Cash Fund and undeposited collections of Cash – Collecting Officers as a result of the Imprest System where daily receipts on collections are deposited intact on the next banking day.

Cash in Bank – Local Currency – this account consists of accounts maintained with the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Philippine Veterans Bank (PVB) mostly for loans to be granted to ECs and for operational expenditures of the agency. The account consists of a Local Currency Current Account (LCCA) and a Local Currency Savings Account (LCSA).

This account also includes subsidy receipts from the NG to fund/support the implementation of several projects/programs which include the Sitio Electrification Project (SEP), Barangay Line Enhancement Project (BLEP), Calamity Grant, Power Supply System, European Union Access to Sustainable Energy Project (EU-ASEP), EC Trust Fund and Modular Generating Sets (GenSet).

Details are as follows:

Subsidy from the NG

Particulars	2023	2022
DBP - NEA Barangay Electrification/ Subsidy Fund Commonwealth	20,058,858	29,407,402
LBP - Barangay Electrification Fund	1,498,259,951	2,546,606,799
LBP - NEA Total Electrification Program Fund	168,180,236	27,824,273
Total	**1,686,499,045**	**2,603,838,474**

- *DBP - NEA Barangay Electrification/Subsidy Fund Commonwealth and LBP - Barangay Electrification Fund* accounts pertain to subsidy funds intended for SEP, BLEP, and Calamity Grant. Withdrawals are intended for the *Rural Electrification Program.*

- *LBP - NEA Total Electrification Program Fund* was sourced from a 2019 Locally funded project by the Department of Energy (DOE). Withdrawals are intended for the implementation of the Power Supply System Project on the *Total Electrification Program.*

Official Development Assistance (ODA)

Particulars	2023	2022
LBP - NEA EU-ASEP	34,824,366	80,990,096
Total	**34,824,366**	**80,990,096**

- *LBP - NEA EU-ASEP* pertains to funds provided by the *European Union (EU)* for the implementation of the *Integration of Productive* Uses *of Renewable Energy for Inclusive and Sustainable Energization in Mindanao* (I-Pure Mindanao) project through its *Access to Sustainable Energy Programme* (ASEP). This fund is considered as Trust Liabilities by the NEA and can only be withdrawn and disbursed for the project's implementation.

Albay Electric Cooperative, Inc. (ALECO) Trust Fund

Particulars	2023	2022
LBP - NEA-EC Trust Fund	0	143,672,151
Total	**0**	**143,672,151**

- *LBP - NEA-EC Trust Fund* refers to the bank account opened in line with the ALECO Interim Board Resolution No. 040 Series of 2014 which created a trust fund through a Memorandum of Agreement (MOA) entered into by and between the NEA and ALECO in which NEA was requested to hold the cooperative's *restricted fund.*

- *ALECO Trust Fund* consists of *bill deposits* from ALECO member-consumers that cannot be used for the cooperative's operations.

  The NEA has agreed to hold the funds in trust to protect the interests of both the ECs and their member-consumers. This is in line with the authority granted to NEA as per PD No. 269, as amended by RA No. 10531. On January 5, 2015, the funds were transferred to the NEA.

  On May 18, 2023, the amount of P143,743,988 was refunded to the EC as requested by ALECO in its Board Resolution No. 09, s. 2022.

Mindanao Modular GenSets Program

Particulars	2023	2022
LBP - NEA Modular	228,163,303	134,814,008
Total	**228,163,303**	**134,814,008**

- The fund is the depository of collections of loan amortizations due and 50% of the interest earned pursuant to EO No. 137 creating the Mindanao Modular GenSets Program which aimed to provide additional power supply to electricity end-users in Mindanao.

- Section 1 of EO No. 137, explicitly provides that a loan facility may be extended to the participating ECs for the acquisition of modular GenSets and the program shall be implemented by DOE through NEA.

Cash in Bank – Foreign Currency

Particulars	2023	2022
LBP Dollar Account - NEA IFB 80 Bid Fund	0	991,698
Total	**0**	**991,698**

On May 24, 2023, the LBP-IFB account was closed and the cash balance was transferred fund to NEA's LBP-Construction and Administrative Fund per NEA Letter of Advice dated May 19, 2023.

Cash Equivalents refers to High-yield Peso fixed term deposit accounts which include Special Savings Deposits (SSD) and Foreign Currency Time Deposit:

Particulars	2023	2022
SSD:		
DBP - NEA Barangay Energization Fund	42,694,015	42,095,939
DBP - NEA SSD 02	80,872,623	79,739,725
DBP - NEA SSD 03	101,586,415	100,233,469
DBP - NEA SSD TLB	59,375,368	58,543,613
LBP - HYSA 01	303,373,393	302,149,100
Time Deposit:		
DBP Special Max	0	8,560,062
Total	**587,901,814**	**591,321,908**

LBP - HYSA 01 pertains to a high-yield savings account (HYSA) opened at LBP in March 2020 to earn higher interest income. This is a Modular GenSets account.

6. RECEIVABLES - NET

This account is broken down as follows:

Particulars	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans Receivable	1,903,302,867	8,764,631,492	10,667,934,359	1,963,062,570	9,132,201,064	11,095,263,634
Inter-Agency Receivables	52,731,637	0	52,731,637	56,820,972	0	56,820,972
Other Receivables	3,989,795,418	0	3,989,795,418	3,070,294,458	0	3,070,294,458
Total	**5,945,829,922**	**8,764,631,492**	**14,710,461,414**	**5,090,178,000**	**9,132,201,064**	**14,222,379,064**

6.1 Loans Receivable

This account is broken down as follows:

Particulars	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans Receivable-PSALM	2,155,490,219	0	2,155,490,219	2,155,490,219	0	2,155,490,219
Allowance for Impairment-Loans Receivable-PSALM	(361,995,632)	0	(361,995,632)	(361,995,632)	0	(361,995,632)
Net Value-Loans Receivable-PSALM	**1,793,494,587**		**1,793,494,587**	**1,793,494,587**	**0**	**1,793,494,587**
Loans Receivable-EC	182,819,559	8,601,185,918	8,784,005,477	216,965,551	8,947,569,526	9,164,535,077
Allowance for Impairment-Loans Receivable-EC	(108,610,467)	0	(108,610,467)	(91,067,544)	0	(91,067,544)
Net Value-Loans Receivable-EC	**74,209,092**	**8,601,185,918**	**8,675,395,010**	**125,898,007**	**8,947,569,526**	**9,073,467,533**

Particulars	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans Receivable-NEECO II	20,944,098	163,445,574	184,389,672	19,515,814	184,631,538	204,147,352
Allowance for Impairment-Loans Receivable-NEECO II	0	0	0	0	0	0
Net Value-Loans Receivable-NEECO II	**20,944,098**	**163,445,574**	**184,389,672**	**19,515,814**	**184,631,538**	**204,147,352**
Loans Receivable-Municipal System	7,708	0	7,708	4,586,174	0	4,586,174
Allowance for Impairment-Loans Receivable-Municipal System	(7,708)	0	(7,708)	(5,443,760)	0	(5,443,760)
Net Value-Loans Receivable-Municipal System	**0**	**0**	**0**	**(857,586)**	**0**	**(857,586)**
Loans Receivable-Others	1,042,482	0	1,042,482	2,703,086	0	2,703,086
Allowance for Impairment-Loans Receivable-Others	(1,042,482)	0	(1,042,482)	(4,688,595)	0	(4,688,595)
Net Value-Loans Receivable-Others	**0**	**0**	**0**	**(1,985,509)**	**0**	**(1,985,509)**
Interest Receivable	14,655,090		14,655,090	26,997,257	0	26,997,257
Allowance for Impairment-Interest Receivable	0	0	0	0	0	0
Net Value-Interest Receivable	**14,655,090**	**0**	**14,655,090**	**26,997,257**	**0**	**26,997,257**
Total	**1,903,302,867**	**8,764,631,492**	**10,667,934,359**	**1,963,062,570**	**9,132,201,064**	**11,095,263,634**

Aging analysis of the NEA's receivables as at December 31, 2023 and 2022 are as follows:

As at December 31, 2023:

Particulars	Amount					**Total**
	Less than 90 days	91-365 days	Over 1 year	Over 2 years	Over 3 years and onwards	
Loans Receivable-PSALM	0	0	0	0	2,155,490,219	**2,155,490,219**
Allowance for Doubtful Accounts-PSALM	0	0	0	0	(361,995,632)	**(361,995,632)**
Net Value-Loans Receivable-PSALM	**0**	**0**	**0**	**0**	**1,793,494,587**	**1,793,494,587**
Loans Receivable-EC	18,026,456	4,685,909	6,004,811	7,766,169	146,336,214	**182,819,559**
Allowance for Doubtful Accounts-Loans Receivable-EC	(10,815,874)	(2,811,545)	(3,602,887)	(4,659,702)	(86,720,459)	**(108,610,467)**
Net Value-Loans Receivable-EC	**7,210,582**	**1,874,364**	**2,401,924**	**3,106,467**	**59,615,755**	**74,209,092**
Loans Receivable-NEECO II	4,916,813	16,027,285	0	0	0	**20,944,098**
Allowance for Doubtful-Loans Receivable-NEECO II	0	0	0	0	0	**0**
Net Value-Loans Receivable-NEECO II	**4,916,813**	**16,027,285**	**0**	**0**	**0**	**20,944,098**
Loans Receivable-Municipal System	0	0	0	0	7,708	**7,708**
Allowance for Doubtful-Loans Receivable-Municipal System	0	0	0	0	(7,708)	**(7,708)**
Net Value- Loans Receivable-Municipal System	**0**	**0**	**0**	**0**	**0**	**0**
Loans Receivable-Others	0	0	0	0	1,042,482	**1,042,482**
Allowance for Doubtful-Loans Receivable-Others	0	0	0	0	(1,042,482)	**(1,042,482)**
Net Value-Loans Receivable - Others	**0**	**0**	**0**	**0**	**0**	**0**
Interest Receivable	7,829,236	0	0	0	6,825,854	**14,655,090**
Allowance for Doubtful-Interest Receivable	0	0	0	0	0	**0**
Net Value-Loans Receivable-NEECO II	**7,829,236**	**0**	**0**	**0**	**6,825,854**	**14,655,090**
Total	**19,956,631**	**17,901,649**	**2,401,924**	**3,106,467**	**1,859,936,196**	**1,903,302,867**

As at December 31, 2022:

Particulars	Amount					Total
	Less than 90 days	91-365 days	Over 1 year	Over 2 years	Over 3 years and onwards	
Loans Receivable-PSALM	0	0	0	0	2,155,490,219	**2,155,490,219**
Allowance for Doubtful Accounts-PSALM	0	0	0	0	(361,995,632)	**(361,995,632)**
Net Value-Loans Receivable-PSALM	**0**	**0**	**0**	**0**	**1,793,494,587**	**1,793,494,587**
Loans Receivable-EC	56,791,207	4,477,991	7,766,169	8,517,407	139,412,777	**216,965,551**
Allowance for Doubtful Accounts-Loans Receivable-EC	(916,092)	(2,686,795)	(4,659,702)	(5,110,444)	(77,694,511)	**(91,067,544)**
Net Value-Loans Receivable-EC	**55,875,115**	**1,791,196**	**3,106,467**	**3,406,963**	**61,718,266**	**125,898,007**
Loans Receivable-NEECO II	4,569,033	14,946,781	0	0	0	**19,515,814**
Allowance for Doubtful Accounts-Loans Receivable-NEECO II	0	0	0	0	0	**0**
Net Value-Loans Receivable-NEECO II	**4,569,033**	**14,946,781**	**0**	**0**	**0**	**19,515,814**
Loans Receivable-Municipal System	0	0	0	0	4,586,174	**4,586,174**
Allowance for Doubtful Accounts-Loans Receivable-Municipal System	0	0	0	0	(5,443,760)	(5,443,760)
Net Value-Loans Receivable-Municipal System	**0**	**0**	**0**	**0**	(857,586)	(857,586)
Loans Receivable-Others	0	0	0	0	2,703,086	**2,703,086**
Allowance for Doubtful Accounts-Loans Receivable-Others	0	0	0	0	(4,688,595)	(4,688,595)
Net Value-Loans Receivable-Others	**0**	**0**	**0**	**0**	(1,985,509)	(1,985,509)
Interest Receivable	9,234,652	0	0	0	17,762,605	**26,997,257**
Allowance for Doubtful Accounts-Interest Receivable	0	0	0	0	0	**0**
Net Value-Interest Receivable	**9,234,652**	**0**	**0**	**0**	**17,762,605**	**26,997,257**
Total	**69,678,800**	**16,737,977**	**3,106,467**	**3,406,963**	**1,870,132,363**	**1,963,062,570**

Loans Receivable-PSALM account refers to unpaid balances of the total ECs loans assumed by Power Sector Assets and Liabilities Management Corporation (PSALM) by virtue of RA No. 9136, otherwise known as the EPIRA Act of 2001, which was enacted on June 26, 2001.

The RA provides that all outstanding financial obligations of the ECs to NEA and other government agencies incurred to finance rural electrification programs shall be assumed by PSALM in accordance with the program approved by the President of the Philippines.

On August 28, 2002, President Gloria Macapagal-Arroyo issued EO No. 119 to provide for a restructuring program for ECs. Under Section 5 of said EO, the assumption by PSALM of the rural electrification (RE) loans shall be effective only upon compliance with enumerated terms and conditions, which include among others, the approval by the Energy Regulatory Commission (ERC) of the reduction of EC rates commensurate with the resulting savings due to removal of the amortization payment on the RE loan.

On October 11, 2002, the ERC issued the "Guidelines for the Implementation of the Reduction in Rates of the EC Due to the Condonation of the Debt" and its amendments took effect on November 15, 2002. The reduction in rates referred to in EO No. 119 took effect on various dates from March 2003 up to January 2004 upon the issuance of the Provisional Authority (PA) for each EC by the ERC.

On October 3, 2003, NEA and PSALM Corporation entered into a MOA to lay down the operational legal framework upon which the financial obligations of ECs to NEA shall be lawfully assumed by PSALM. The assumed loans shall be paid for 10 years without any interest thereon.

On September 2, 2005, EO No. 460 amending EO No. 119 was issued by then President Gloria Macapagal-Arroyo retroacting the assumption of the RE loans by PSALM to the effectivity of the EPIRA. However, on May 9, 2007, EO No. 622 was issued repealing EO No. 460 and reinstating the provision in EO No. 119 that the effectivity of the assumption of RE Loans by PSALM shall be upon approval by the ERC of the reduction in the EC rates commensurate with the resulting savings due to the removal of the amortizations payments on RE loans or upon issuance by the ERC of PAs to reduce rates to every EC.

From June 27, 2001, until the issuance of PAs to reduce rates beginning March 2003 to January 2004 by the ERC, NEA continued to accrue and collect from all ECs loan amortizations due as provided in Section 6, Rule 31, 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 a reduced rate were part of the assumed loans.

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 an arbitration case with the Office of the Government Corporate Counsel (OGCC) on November 22, 2018.

To date, both parties are still awaiting the decision of the OGCC on the arbitration case filed.

Loans Receivable – ECs are loans intended to address the technical and operational requirements of the ECs. Loans extended are the following:

a. *Stand-By Credit Facility (SCF)* is a credit facility that would strengthen the ECs' creditworthiness with the Generation Companies (GENCOs) and Market Operator.

   <u>Terms</u>:

   - One-year credit line;
   - Renewable;
   - One-half of one per cent interest rate per month on the amount withdrawn;
   - One and a half per cent default charge per month;
   - Two per cent service charge on the approved facility; and
   - Payable within 90 days after each availment.

b. *Equity Financing Scheme for the ECs (EFSEC). This facility has been inactive since 2012.* This scheme is a credit facility financing the equity requirement of the ECs in the procurement of the distribution equipment and the implementation of their rehabilitation and upgrading projects. The maximum loanable amount is the actual equity requirement or 20 per cent of the total purchase price of the distribution equipment but not to exceed P8 million. The interest rate is six per cent per annum, three to five years to pay with a grace period of six months.

c. *Power Use and Bliss I Loans. This facility has been inactive since 2004. This facility* refers to loans extended to ECs to support small-scale industry projects intended to provide means of livelihood in rural bliss communities, payable in five to 10 years after the date of release, at five per cent to 11 per cent interest per annum and with a grace period of one to two years.

d. *RE Loan – Working Capital for ECs* is a credit facility for ECs to finance the prudential requirement and security payment with Wholesale Electricity Spot Market (WESM)/Power Generation Companies (GENCOs)/National Grid Corporation of the Philippines (NGCP); The timely payment of power account for special/retirement package of EC employees; and tax obligations.

Terms:

- Five and a half per cent interest rate per annum or NEA prevailing interest rate at the time of drawdown for a repayment period up to two years or six per cent interest per annum or NEA prevailing interest rate at the time of drawdown for the repayment period of three to five years;
- Eighteen per cent default charge per annum;
- Maximum of five years repayment period; and
- Validity period of two years

e. *RE Loan – Capital Projects* is a credit facility financing the Capital Expenditures (CAPEX) projects of ECs.

Terms:

- Six per cent interest rate per annum NEA prevailing interest rate at the time of drawdown;
- Twelve per cent default charge per annum;
- Maximum of 15 years repayment period but not to exceed the remaining franchise life of the EC;
- Maximum of one year grace period; and
- Validity period of three to five years.

f. *Calamity Loans* are loans granted to calamity-affected ECs for the immediate repair of damaged distribution lines and restoration of power.

Terms:

- Three and one-fourth per cent interest rate per annum;

- Maximum of 10 years repayment period but not to exceed the remaining franchise life of the EC;
- Maximum of one year grace period; and
- Validity period of one year.

g. *Single Digit System Loss Program (SDSLP)* is a loan intended to assist the ECs in the reduction of the national average systems loss and to attain a single-digit level. The loanable amount depends on NEA's evaluation of the project.

Terms:

- Five and a half per cent interest rate per annum or NEA prevailing interest rate at the time of drawdown for a repayment period of up to two years or six per cent interest per annum or NEA prevailing interest rate at the time of drawdown for a repayment period of three to 10 years;
- Maximum of 10 years repayment period but not to exceed the remaining franchise life of the EC;
- Maximum of six (6) months grace period; and
- Validity period of two years.

h. *The Generator Sets (GenSets) Program* refers to a loan facility intended to provide immediate relief or alternative measures to supply the needed power in each of the franchise areas of ECs in Mindanao.

The DOE, as Co-Chair of the Mindanao Power Monitoring Committee (MPMC), proposed the use of modular GenSets as an immediate short-term solution to the intermediate electricity needs of Mindanao until baseload power plants come online by 2015.

EO No. 137 (S. 2013) established the Mindanao Modular Generator Sets (GenSets) Program to provide the needed additional power supply to electricity end-users in Mindanao. The DOE in coordination with the Mindanao Development Authority (MinDA) and the MPMC issued, adopted, and promulgated the Implementing Rules and Regulations for the Mindanao Modular Generator Sets Program under DC Circular No. DC-2013-08-019.

Terms:

- Interest rate of four per cent per annum;
- 10% default charge per annum;
- Maximum of 15 years repayment period;
- Two (2) years grace period;
- The EC has the option to return the GenSets; and
- In case of rescission of the contract of loan due to pre-termination, any difference between the appraised value and the outstanding loan of the EC shall be for the account of the EC

Loans Receivable – NEECO II account pertains to the sales price of the electric system of the defunct Nueva Ecija III Electric Cooperative, Inc. (NEECO III) which was taken over by NEA and later sold to NEECO II. The sales price consists of the book value of P208.4 million plus interest income of P111.8 million less payments previously made by NEECO III of P11.3 million. The Deed of Conditional Sale approved on January 24, 2006, provides that the sale price shall be payable over 25 years at seven per cent interest per annum. Repayment of principal commenced on January 31, 2008, while payment of the monthly interest started in January 2006.

Loans Receivable – Municipal System account refers to a loan that was granted in the early sixties to finance the construction and/or improvement of electric systems of about 91 municipalities all over the country. However, with the enactment of PD No. 269 mandating NEA to electrify the country through the different ECs, the franchises granted to the municipal electric systems were canceled. The cancellation of the said franchises did not stop NEA from demanding payments. In NEA's desire to collect these accounts, the NEA Board, in its meeting on November 29, 1990, agreed that the loans be settled under the government's Debt Relief Program (DRP). On April 28, 1994, NEA submitted to the BTr the certification needed under the DRP. Unfortunately, not a single LGU availed of the program.

In view of the failure to have the accounts settled under the DRP, the NEA Legal Services Office pursued the collection of these accounts using legal remedies available under the Loan Contract. Again, on March 11, 2011, NEA sought the assistance of the Department of Finance (DOF) in the collection of the LGUs accounts through DRP.

The NEA Board, in its meeting on October 11, 2011, approved the request of government schools and municipalities for the condonation of interests and surcharges on their loans after the payment of the principal subject to approval by the COA.

The Legal Services Office and the Finance Services Department are in the process of gathering the necessary documents to support our request for a write-off according to COA Circular No. 2016-005.

As a result, JEV No. 2023-09-005091 dated September 29, 2023, was taken up in the books of NEA to reflect the approved request for Authority to Write-off of dormant receivable accounts of various Municipal Electric Plants and Private Franchise loans per COA-OSA (NEA) Decision No. 2023-001 dated July 25, 2023 and CGAS-Cluster 3 Decision No. 2023-21 dated August 9, 2023, respectively.

Loans Receivable – Others is composed of the following:

a. Private Franchise Loans – These are loans granted to private franchise owners to operate and maintain an electric system. The operation of Private Franchise was approved by the President of the Philippines under the regime of President Ferdinand Marcos and the Certificate of Public Convenience and Necessity was granted by the Public Service Commission.

b. Social Program Loans – loans granted to ECs in Bulacan, Rizal, and Cavite. Manila Electric Corporation (MERALCO) was mandated to take over ECs within a radius of 60 kilometers of Metro Manila. MERALCO assumed repayment of electrification loans but did not assume repayment of Social Program Loans.

These loans were released in the early sixties and remained dormant for more than 15 years. NEA has exerted all possible efforts to collect these outstanding loan balances but failed. The Legal Services Office, in coordination with the Finance Services Department, is in the process of gathering the necessary documents to support our request for a write-off pursuant to COA Circular No. 2016-005.

Interest Receivables account refers to receivables from interests earned on outstanding loans of ECs, Municipal Systems, Private Franchises, and Schools.

6.2 Inter-Agency Receivables

This account is broken down as follows:

Particulars	2023	2022
Due from National Government Agencies	27,380,557	31,469,892
Due from NPC	25,351,080	25,351,080
Total Inter-Agency Receivables	**52,731,637**	**56,820,972**

Due from National Government Agencies account consists of the following:

Particulars	2023	2022
Due from MinDA	27,380,557	27,380,557
Allowance for Impairment- Due from MinDA	0	0
Net Value- Due from MinDA	**27,380,557**	**27,380,557**
Due from Government Schools	6,397,739	6,397,739
Allowance for Impairment- Due from Gov't Schools	(6,397,739)	(6,305,667)
Net Value- Due from Government Schools	**0**	**92,072**
Due from DPWH	0	3,997,263
Allowance for Impairment- Due from DPWH	0	0
Net Value- Due from DPWH	**0**	**3,997,263**
Total Due from National Government Agencies	**27,380,557**	**31,469,892**

Due from MinDA account pertains to the transfer of funds made by the NEA to Mindanao Development Authority (MinDA) on May 4, 2022, under JEV No. 2022-05-003402 to fund the Components 1 and 3 of the I-Pure Mindanao project through the EU-ASEP.

Particulars	Activities
Component 1 Activities - 10 PURE Sites	**Activity 1.1** Conduct community consultation to formally introduce the project and secure the support of all groups (LGUs, CBOs, other community groups, HHs);

Particulars	Activities
	Activity 1.2 Prepare a socio-economic profile of PURE sites and nearby barangay/sitios; and **Activity 1.3** Conduct consultation workshops with communities, municipality/barangay LGUs, CBOs to present the result of the socio-economic profiling and identify/agree on the appropriate post-harvest agri-fishery RE powered technologies to be installed and operated.
Component 3 Activities - Project Management and Cross-Cutting Activities	**Activity 3.1** Information, education, and communication campaigns; and **Activity 3.2** Capacity building activities on electrification and the livelihood activities using renewable energy technology.

As at December 31, 2023, NEA is still awaiting liquidation documents from MinDA.

Due from Gov't Schools account refers to loans granted to various Educational Institutions/Agricultural Schools all over the country to finance the establishment of the Dendrothermal Tree Plantation Program government.

Due from DPWH account refers to the funds released by the NEA to Department of Public Works and Highways (DPWH) Sorsogon Engineering District on February 2, 2009, and January 28, 2009, under JEV Nos. 2009-02-001479 and 2009-01-000816, respectively.

This is in line with the two MOAs entered into by and between the NEA and DPWH Sorsogon Engineering District on December 13, 2008, and January 20, 2009. The first MOA provided P1.3 million for the rural electrification of two barangays in the 1st District of Sorsogon City, namely, Bulabog-Dapdap and Buhata. The second MOA allocated P2.7 million for the rural electrification of six sitios in the Municipality of Pilar and Donsol, Sorsogon.

On October 17, 2023, JEV Nos. JEV-2023-10-006266 and JEV-2023-10-006271 amounting to P 1,300,000.00 and P2,697,262.60 respectively, were made in NEA's books of accounts to reflect the liquidation of DPWH Sorsogon Engineering District.

Due from NPC account represents the release of funds for the Office of the Presidential Adviser on the Peace Process (OPAPP) - Payapa at Masaganang Pamayanan (PAMANA). On June 20, 2014, NEA entered into MOA with NPC for the construction of Power Plant Facilities including supply, delivery, erection, or installation test commissioning of Diesel GenSet, and Auxiliaries for Languyan Town. On August 11, 2014, NEA released to NPC the amount of P25.351 million per JEV No. 2014-08-006963.

In response to the COA Confirmation Letter dated April 27, 2023, the Vice President of Administration and Finance of the NPC stated that the funds would be liquidated after the NPC Resident COA Auditor conducts an audit, which they had requested on July 14, 2022.

On May 18, 2023, NEA sent a letter to the NPC reiterating the MOA entered into by and between NEA and NPC, particularly on Article III-C (Nos. 9 and 11) – NPC's issuance of Certificate of Completion and submission of Report on the Fund Utilization/Disbursement, duly certified by the NPC Resident COA Auditor, on the amount released by NEA to NPC amounting to P25.351 million.

6.3 Other Receivables

This account consists of the following:

Particulars	2023	2022
Receivables from Various ECs	3,987,342,916	3,067,800,715
Allowance for Impairment- Receivables from Various ECs	0	0
Net Value- Receivables from Various ECs	**3,987,342,916**	**3,067,800,715**
Miscellaneous Receivable	46,816,060	47,449,580
Allowance for Impairment- Miscellaneous Receivable	(44,363,558)	(44,955,837)
Net Value- Miscellaneous Receivable	**2,452,502**	**2,493,743**
Total	**3,989,795,418**	**3,070,294,458**

Receivables from Various ECs account consists of subsidy releases under SEP and BLEP, YRRP, NHA Resettlement, QRF, Philippine Counterpart on the JICA Donation for BARMM, and ECERF.

Miscellaneous Receivables account consists of the following:

Particulars	2023	2022
Other Receivables	45,004,409	45,596,973
Receivables - Disallowances/Charges	1,070,521	1,203,091
Due from Officers and Employees	304,101	401,204
Interest Receivable	437,029	248,312
Total	**46,816,060**	**47,449,580**

Other Receivables account consists of advance payments made by NEA for and on behalf of the ECs for brokerage, handling, demurrage, storage, and other charges incurred in the withdrawal from the Bureau of Customs' custody of various equipment and materials, such as STC 48 package Power Transformers, Wood Poles, Dodecagonal Distribution Poles–Galvanized, etc., and insurance premium.

Receivables – Disallowance/Charges account represents the amount resulting from audit disallowances that have become final and executory.

Due from Officers and Employees account primarily consists of receivables arising from the payment of the CY 2014 Collection Negotiation Agreement (CNA) Signing Bonus being settled by NEA employees through payroll deduction every month which commenced in December 2015.

Interest Receivable account pertains to the accrued interest earned from the NEA's five (5) short-term deposits that will mature on different dates in the next year.

7. INVENTORIES

This account consists of the following:

Particulars	2023	2022
Inventory Held for Sale	4,876,379	4,876,379
Inventory Held for Consumption		
Office Supplies Inventory	2,237,515	2,105,113
Other Supplies Inventory	611,375	562,703
Sub-Total	2,848,890	2,667,816
Total Inventories	**7,725,269**	**7,544,195**
Less: Allowance for Impairment Loss	0	(4,876,379)
Net Inventories	**7,725,269**	**2,667,816**

Inventory Held for Consumption account is a non-financial asset that will be used or consumed in the normal course of business which includes Office Supplies Inventory and Other Supplies Inventory.

Inventory Held for Sale account pertains to the cost of equipment and materials damaged/burned in the Nueva Vizcaya Electric Cooperative, Inc. (NUVELCO) Staging Area.

This account also includes Merchandise Inventory in Transit pertaining to the Equipment and Materials in-Transit (EMIT) account amounting to P3.652 million which has remained dormant for more than 10 years. On September 14, 2010, NEA requested COA relief from accountability for the loss of these equipment and materials. On December 23, 2013, NEA received COA Decision No. 2013-247 denying NEA's request for authority to write-off the EMIT account because COA's existing regulations pertain only to the write-off of unliquidated cash advances and dormant accounts receivable. The said amount was reinstated as an EMIT account for adjustment.

Adjustments were effected closing the difference between the actual payments made by NEA to contractors against the rates used in costing equipment and materials under IFB 38, which was part of the COA Audit Observation Memorandum (AOM) No. 2007-016 dated March 12, 2007.

Further, on July 23, 2020, NEA resubmitted its request for relief of accountability per a letter dated July 08, 2020. On September 29, 2020, the NEA resident COA Auditor returned the said request requiring certified true copies of the supporting documents and that the same be arranged accordingly and compliance of complete documentation particularly Item 4 of COA Memorandum No. 92-751 dated February 24, 1992, or the *Comment and/or recommendation of the Agency Head concerned on the request.* In response thereof, on January 27, 2021, NEA complied and resubmitted the documentary requirements to NEA's Resident COA Auditor.

To date, NEA is still awaiting the COA decision regarding the Agency's request for relief from accountability for the loss of these equipment and materials.

8. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

As at December 31, 2023

	2022 As restated	Additions	Disposal/ Adjustments	Transfers / Capitalization	2023
Cost					
Land and Land Improvements	36,996,775	0	0	0	36,996,775
Buildings	302,731,890	0	0	0	302,731,890
Office Equipment, Furniture and Fixtures	33,158,620	992,790	(6,859,715)	0	27,291,695
Machineries and Equipment	10,700,617	1,588,200	(180,191)	0	12,108,626
Transportation Equipment	36,936,744	6,542,000	(3,094,228)	0	40,384,516
Other Property, Plant and Equipment	335,305	0	0	0	335,305
Total	**420,859,951**	**9,122,990**	**(10,134,134)**	**0**	**419,848,807**
Accumulated Depreciation					
Land Improvements	713,159	0	0	0	713,159
Buildings	199,162,763	9,818,025	0	0	208,980,788
Office Equipment, Furniture and Fixtures	24,036,228	2,175,790	(6,173,744)	0	20,038,274
Machineries and Equipment	8,702,718	560,084	(162,173)	0	9,100,629
Transportation Equipment	27,255,717	1,790,148	(2,784,805)	0	26,261,060
Other Property, Plant and Equipment	246,599	0	0	0	246,599
Total Accumulated Depreciation	**260,117,184**	**14,344,047**	**(9,120,722)**	**0**	**265,340,509**
Net Book Value	**160,742,767**				**154,508,298**

As at December 31, 2022 (As restated)

	2021	Additions	Disposal/ Adjustments	Transfers / Capitalization	2022 As restated
Cost					
Land and Land Improvements	36,996,775	0	0	0	36,996,775
Buildings	296,275,440	6,495,000	(38,550)	0	302,731,890
Office Equipment, Furniture and Fixtures	68,924,634	2,835,555	(38,601,569)	0	33,158,620
Machineries and Equipment	16,581,609	291,000	(6,171,992)	0	10,700,617
Transportation Equipment	39,208,744	0	(2,272,000)	0	36,936,744
Other Property, Plant and Equipment	335,305	0	0	0	335,305
Total	**458,322,507**	**9,621,555**	**(47,084,111)**	0	**420,859,951**
Accumulated Depreciation					
Land Improvements	695,330	0	17,829	0	713,159
Buildings	189,948,000	9,237,388	(22,625)	0	199,162,763
Office Equipment, Furniture and Fixtures	51,491,576	2,428,676	(29,884,024)	0	24,036,228
Machineries and Equipment	12,774,087	629,829	(4,701,198)	0	8,702,718
Transportation Equipment	27,200,863	1,994,679	(1,939,825)	0	27,255,717
Other Property, Plant and Equipment	246,599	0	0	0	246,599
Total Accumulated Depreciation	**282,356,455**	**14,290,572**	**(36,529,843)**	0	**260,117,184**
Net Book Value	**175,966,052**				**160,742,767**

Land account consists of the site of the *NEA building* under TCT No. 233258 acquired on January 11, 2002, from the National Housing Authority with an acquisition cost of P36.2 million.

Buildings account represents the cost of the NEA building, which includes the costs of services related to the preparation of detailed engineering design, consultancy services, and the actual construction cost of the building. The construction started in June 1998 and was finished in late 2000.

COA Circular No. 2022-004 dated May 31, 2022, provides guidelines for implementing Section 23 of the General Provisions of RA No. 11639, also known as the *GAA for FY 2022,* which increases the capitalization threshold from P15,000 to P50,000. According to the guidelines, tangible assets that meet PPE's definition and recognition criteria but have a cost below P50,000 must be recorded as semi-expendable property in the agency's books of accounts.

9. OTHER ASSETS

This account consists of the following:

Particulars	2023			2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Prepayments	5,251,103	0	5,251,103	3,242,517	0	3,242,517
Deposits	200,000	0	200,000	850,000	0	850,000
Advances to Officers and Employees	1,461	0	1,461	14,700	0	14,700
Other Miscellaneous Assets	0	12,808,641	12,808,641	0	14,174,305	14,174,305
Total	**5,452,564**	**12,808,641**	**18,261,205**	**4,107,217**	**14,174,305**	**18,281,522**

The *Prepayments account* consists of the following:

Particulars	2023	2022
Prepaid Insurance	210,290	308,759
Advances to Contractors	247,703	247,704
Other Prepaid Expenses	4,793,110	2,686,054
Total	**5,251,103**	**3,242,517**

Prepaid Insurance account pertains to payments of insurance premiums for NEA vehicles and other insurable properties.

Advances to Contractors account refers to the amount paid in advance as mobilization fee to contractors for projects which shall be deducted from the progress billing based on the percentage of completion of the project.

Other Prepaid Expenses account is composed mainly of prepayments made to DBM Procurement Service (PS) for the Agency's Office Supplies and Creditable Withholding Taxes (CWT) deducted by ECs included in the top 20,000 corporations of the Philippines from their payments of interest income earned by NEA.

Deposits account pertains to deposits made by the NEA for airfare to guarantee compliance with the terms of the agreement which shall be refunded upon contract termination. This account consists of deposits made to the following suppliers:

Particulars	2023	2022
Philippine Airlines (PAL)	200,000	200,000
Procurement Service (PS)	0	650,000
Total	**200,000**	**850,000**

PAL – pertains to the performance guarantee made by NEA to PAL amounting to P200,000.00 pertains to cash deposit under Official Receipt (OR) No. 694715 dated October 5, 1982, amounting to P50,000.00 and OR No. 2741571 dated February 24, 1989, amounting to P150,000.00 which shall be returned by PAL after the termination of the credit line.

PS – On March 16, 2023, NEA's account with PS-DBM was terminated and closed via offsetting of airfare tickets consumed by NEA employees from the deposit amount of P650,000.00 per acknowledgment letter from PS-DBM dated 08 March 2023 of the Notice of Termination of the MOA pursuant to Article 7 of the MOA.

Advances to Officers and Employees account refers to the advances given to officers and employees for official travel subject to liquidation upon completion of the travel.

Other Miscellaneous Assets can be broken down as follows:

Particulars	2023	2022
Idle Land-Tandang Sora	**9,500,000**	**9,500,000**
Deferred Charges	2,385,208	2,385,208
Allowance for Impairment-Deferred Charges	(2,385,208)	(2,385,208)
Net Value-Deferred Charges	**0**	**0**
Claims Receivables	1,285,594	1,285,594
Allowance for Impairment-Claims Receivable	(1,285,594)	(1,285,594)
Net Value-Claims Receivable	**0**	**0**
Investment in Gasifier and Equipment Manufacturing Corp. (GEMCOR) and BLISS-Livelihood	1,038,000	1,038,000
Allowance for Impairment-Investment in GEMCOR and BLISS-Livelihood	(1,038,000)	(1,038,000)
Net Value-Investment in GEMCOR and BLISS-Livelihood	**0**	**0**
Foreclosed Land	**25,800**	**25,800**
Others	3,450,148	4,648,505
Allowance for Impairment-Others	(167,307)	0
Net Value-Others	**3,282,841**	**4,648,505**
Total	**12,808,641**	**14,174,305**

a. Idle Land–Tandang Sora account refers to a lot area of approximately 2.5 hectares located in *Tandang Sora*, Quezon City with Transfer Certificate of Title (TCT) No. 26581 acquired on November 28, 1989 for P9.5 million. However, the said lot is under court litigation pending before the Supreme Court, docketed as G.R. No. 112876, entitled Manuel Silvestre Bernardo, et al vs. Court of Appeals, et al. The case is being handled for NEA by the Office of the Government Corporate Counsel (OGCC).

b. *Deferred Charges* account includes miscellaneous deposits to PLDT, MERALCO, and IFB incidental costs.

c. *Claims Receivables* account includes receivables in NEA's Bail-Out Program with a cut-off period of December 31, 1989.

d. *Investment in GEMCOR* account refers to an investment made in Gasifier Equipment Manufacturing Corporation (GEMCOR) for 938 shares with P1,000 par value and investment in BLISS-Livelihood represents 10 per cent equity amounting to P100,000.00. It is a program anchored on the national policy through EO No. 517 dated January 9, 1979 – Adopting the Bagong Lipunan Sites and Services Program to achieve an equitable distribution of socio-economic opportunities in the country, among others, and curb the alarming migration rate.

e. *Foreclosed Properties – Bani/Bolinao* account refers to properties with a book value of P25,800 acquired in 1967 by virtue of the Sheriff's Certificate of Sale issued by the Court of First Instance of Pangasinan. The corresponding Declaration of Real Property was issued to NEA. Under the said Declaration, most of the lands located at Catuday, Bolinao, and Pangasinan are classified as forest and pasture lands. Verifications made on the records of the Regional Office I of the Department of Environment and Natural Resources (DENR) revealed that most of the properties are within the Alienable and Disposable (A and D) zones. The cluster on Utilization and Disposal of NEA's Acquired and Foreclosed Property is working on the possibility of titling or turnover of the same to the DENR.

f. *Others* account represents costs of assets for disposal which are transferred to this account in conformity with Section 143 of the Manual of New Government Accounting System which states that serviceable assets no longer used shall be reclassified to the Other Assets account and shall not be subject to depreciation.

10. FINANCIAL LIABILITIES

This account consists of the following:

Particulars	2023	2022 (As restated)
Accounts Payable	50,381,233	70,332,790
Due to Officers and Employees	1,269,579	930,021
Total	**51,650,812**	**71,262,811**

Accounts Payable account pertains to liabilities set up against current operations for unpaid claims and expenses. These claims include salary and gratuity pay of Contract of Service (COS) personnel, various claims of suppliers such as repairs and maintenance, janitorial and security services and other professional services, communication, and freight charges, etc.

Due to Officers and Employees account represents liabilities to officers and employees for salaries, benefits, miscellaneous claims, and reimbursements, such as travel and communication allowances.

In accordance with IPSAS 3 – *Accounting Policies*, Changes in Accounting Estimates and Errors, Due to Officers and Employees for CY 2022 was restated as follows:

Particulars	Amount
Due to Officers and Employees, December 31, 2022	137,456,047
Reclassification:	
Provisions - Leave Benefits Payable	(136,526,026)
Due to Officers and Employees, December 31, 2022, as restated	**930,021**

11. INTER-AGENCY PAYABLES

This account consists of the following:

Particulars	2023	2022
Due to NGAs	5,529,411,852	5,607,246,108
Due to Bureau of Internal Revenue (BIR)	6,798,937	7,702,660
Due to Government Service Insurance System (GSIS)	9,823,074	5,105,364
Due to Home Development Mutual Fund (HDMF/Pag-IBIG)	506,043	329,363
Due to Philippine Health Insurance Corporation (PhilHealth)	583,300	550,429
Income Tax Payable	27,271,067	34,347,079
Total	**5,574,394,273**	**5,655,281,003**

Due to National Government Agencies (NGAs) account pertains to the receipt of funds from the NG intended for SEP, BLEP, Calamity Grant, and other rural electrification projects.

This account also includes payable to *NDRRMF* which pertains to the receipt of funds from the NG intended for relief, recovery, reconstruction, and other work services in connection with natural or human-induced calamities, that may occur during the budget year or those that occurred in the past two (2) years from the budget year.

This account is debited upon liquidation by ECs of subsidy funds released.

The *Due to BIR* account includes the following tax payables:

Particulars	2023	2022
Withholding Tax on Compensation	6,426,885	4,868,443
Expanded Withholding Tax	217,725	917,624
Withholding tax on Government Money Payment (GMP) – Value-Added Tax (VAT) and Percentage Tax	154,327	1,916,593
Total	**6,798,937**	**7,702,660**

Due to BIR account consists of taxes withheld from employees, suppliers, contractors, and other entities. The difference between the payable amount and remittance to BIR is subject to further analysis and reconciliation.

12. TRUST LIABILITIES

This account consists of the following:

Particulars	2023	2022 (As restated)
Trust Liabilities		
BTr-Modular	1,380,549,295	1,361,572,249
EC Trust Fund – ALECO	0	143,672,150
EU-ASEP	54,118,397	103,532,619
DOE- Power Supply System Project-2021 (TEFP)	176,772,581	27,824,273
Trust Liabilities – ECs Collateral	5,944,575	5,944,575
Trust Liabilities – Others	2,562,450	2,970,618
Sub-Total	**1,619,947,298**	**1,645,516,484**
Guaranty/Security Deposits Payable		
Retention Payable	467,507	467,507
Performance/Bidders Bonds	344,587	321,254
Sub-Total	**812,094**	**788,761**
Total	**1,620,759,392**	**1,646,305,245**

BTr - Modular account pertains to the Mindanao Modular Generator Sets Program established in CY 2013 by the Aquino Administration to provide immediate relief or an alternative measure to supply the needed power in each of the franchised areas of ECs in Mindanao. A restatement in the CY 2021 balance was made to reflect the adjustment on the account amounting to P1.210 billion due to the reclassification of the initial receipt of Mindanao Modular Gensets Funds back to the *Trust Liabilities* account from *Subsidy Income from the National Government.*

EC Trust Fund - ALECO account pertains to the fund entrusted by Albay Electric Cooperative, Inc. (ALECO) to NEA. On May 18, 2023, the amount of P143,743,988 was refunded to the EC as requested by ALECO in its Board Resolution No. 09, S. 2022.

EU-ASEP account refers to the receipt of donation - initial pre-financing payment for I-PURE Mindanao (1st Tranche - EUR 3,177,054.68). The account is debited upon payment of goods/services related to EU-ASEP projects.

The NEA, MinDA, and the EU are working together on a project called I-Pure Mindanao which started in April 2021 and has a completion target of 20 months. The project consists of three (3) components, as follows:

Component 1: PURE

Activity	Location	Lead Implementer
Solar-powered corn shelter	Arakan, North Cotabato	COTELCO

Activity	Location	Lead Implementer
and miller	Bagumbayan, Sultan Kudarat	SUKELCO
	Picong, Lanao del Sur	MINDA with LGU and Community based Organization
	Kidapawan, North Cotabato	COTELCO
Solar-powered ice making facility	Glan, Saranggani	COTELCO
Solar-powered rice miller	Tulunan, North Cotabato	SOCOTECO II
Solar-assisted seaweeds dryer	Sitangkal and Sibutu, Tawi-Tawi	COTELCO
Solar-powered water system	Sen. Ninoy Aquino, Sultan Kudarat	Mindanao State University Tawi-Tawi
	Lebak, Sultan Kudarat	SUKELCO
Solar-powered coffee dryer and miller	Kalamansig, Sultan Kudarat	SUKELCO

Component 2: Household Electrification

a. PV Mainstreaming – Provision of a 50-watt solar home system (SHS) in COTELCO and SOCOTECO II franchise municipalities; and

b. TAWELCO Barangay Line Enhancement – Extending wire connections to households from TAWELCO distribution lines with power supply sourced from the solar PV-diesel hybrid system located in Tumindan Island.

Component 3: Project Management and Cross-Cutting Activities

a. Project Management Information, Education, and Communication (IEC); and

b. Capacity Building and Training.

DOE- Power Supply System Project-2021 (TEFP) refers to the receipt of funds from the DOE for capital outlay and maintenance and other operating expenses (MOOE) for the implementation of the Power Supply System Project under FY 2021 LFP TEP1.

Trust Liabilities – ECs Collateral account includes cash deposits from ECs for the cash equivalent of the appraised value of the properties mortgaged to NEA.

Trust Liabilities – Others account includes liabilities for amounts withheld in trust for the account of entities intended to pay specific obligations, such as loans to Provident Fund, and payments to EMPC and SAMAKAREN.

Retention Payable pertains to the retention of money from payments made to contractors, suppliers, and other creditors covering rural electrification, mini-hydro and dendro-thermal, and other projects of NEA.

Performance/Bidders Bonds account is used to record the incurrence of liability arising from the receipt of cash to guaranty that (a) the winning bidder shall enter into a contract with NEA; and (b) performance by the contractor of the terms of the contract.

13. PROVISIONS

This account consists of the following:

Particulars	2023			2022 (As restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Leave Benefits Payable	79,353,316	75,510,714	154,864,030	47,631,192	88,894,834	136,526,026
Total	**79,353,316**	**75,510,714**	**154,864,030**	**47,631,192**	**88,894,834**	**136,526,026**

Leave Benefits Payable account consists of accrued money value of accumulated earned leave credits of NEA employees as at the end of the year.

To ensure that the figures for each year can be accurately compared with those from the previous year, the aforementioned account that was previously presented under Financial Liabilities – Due to Officers and Employees in 2022 was reclassified to Leave Benefits Payable as shown in the above table.

14. OTHER PAYABLES

This account consists of the following:

Particulars	2023	2022
Dividends Payable	17,597,490	17,597,490
Undistributed Collections	466,080	465,010
Miscellaneous Payables	409,382	408,217
Total	**18,472,952**	**18,470,717**

Dividends Payable account refers to prior years' corporate dividends unremitted to the National Government as a result of COA audit on NEA's compliance with the Revised Implementing Rules and Regulations (RIRR) of RA No. 7656 or Dividend Law for calendar years 2013 to 2018.

Undistributed Collections account pertains to online deposits/collections whose payor is not yet identified.

Miscellaneous Payables account comprises payables related to tax adjustment of retired/separated NEA employees.

15. DEFERRED CREDITS

This account can be broken down as follows:

Particulars	2023	2022
Other Deferred Credits	574,461,897	471,869,878

Particulars	2023	2022
Other Unearned Revenue Income	449,029	222,008
Total	**574,910,926**	**472,091,886**

This account represents the balance of the advance/excess payments made by ECs on their loan amortizations due. The advance/excess payments will be applied once the EC fails to pay the amortizations due on time. This account also includes receipt of advance rental payments of the cell site paid by the Globe Telecom, Inc.

In accordance with IPSAS 3 – *Accounting Policies*, Changes in Accounting Estimates and Errors, Other Unearned Income for CY 2022 was restated as follows:

Particulars	Amount
Other Unearned Revenue Income, December 31, 2022	0
Restatements:	
Other Unearned Revenue/Income (Globe Telecom, Inc.)	222,008
Other Deferred Credits, December 31, 2022, as restated	**222,008**

16. SERVICE AND BUSINESS INCOME

This account consists of the following:

Particulars	2023	2022
Interest Income	517,895,868	539,592,657
Service Income	84,832,338	68,883,216
Business Income	13,929,832	16,614,673
Total	**616,658,038**	**625,090,546**

Interest Income pertains to the interest earned on all interest-bearing loans for rural electrification purposes.

Service Income account consists of the following:

Particulars	2023	2022
Service Income	83,594,228	67,723,915
Processing Fees	547,698	699,301
Legal Fees	615,412	235,000
Other Service Income	75,000	225,000
Total	**84,832,338**	**68,883,216**

Service Income pertains to the service fees being charged to the ECs.

Business Income consists of the following:

Particulars	2023	2022
Seminar/Training Fees	11,261,660	14,364,597
Rent/Lease Income	2,667,672	2,244,076
Income from Printing and Publication	500	6,000
Total	**13,929,832**	**16,614,673**

17. PERSONNEL SERVICES

This account consists of the following:

Particulars	2023	2022
Salaries and Wages	210,732,718	200,356,759
Other Compensation	75,886,449	81,056,771
Other Personnel Benefits	47,711,901	43,752,231
Personnel Benefits Contribution	27,282,340	26,062,561
Total	**361,613,408**	**351,228,322**

Salaries and Wages refer to basic salaries for services rendered by NEA officials and employees. The rate of basic pay is based on the Category 2 Tier 4 Salary Structure of the CPCS per GCG Approval dated June 20, 2023.

The increase in the Personnel Services account is attributed to the implementation of the CPCS.

17.1 Other Compensation

This account can be broken down as follows:

Particulars	2023	2022 (As restated)
Productivity Incentive Allowance	35,619,071	42,986,689
Year End Bonus	18,531,731	16,993,872
Personnel Economic Relief Allowance (PERA)	7,173,155	7,136,455
Representation Allowance	3,662,750	3,502,375
Transportation Allowance	2,634,875	2,558,250
Director's and Committee Member's Fee	2,196,000	2,148,000
Honoraria	90,000	217,000
Overtime and Night pay	2,414,867	2,053,880
Clothing/Uniform Allowance	1,836,000	1,818,000
Cash Gift	1,573,000	1,497,250
Longevity Pay	140,000	125,000
Other Bonuses and Allowances	15,000	20,000
Total	**75,886,449**	**81,056,771**

17.2 Other Personnel Benefits

This account can be broken down as follows:

Particulars	2023	2022
Terminal Leave Benefits	38,772,001	36,385,564
Other Personnel Benefits	8,939,900	7,366,667
Total	**47,711,901**	**43,752,231**

17.3 Personnel Benefit Contributions

This account can be broken down as follows:

Particulars	2023	2022
Life and Retirement Insurance Contributions	23,065,794	22,065,259
PhilHealth Contributions	353,700	3,292,502
Pag-IBIG Contributions	3,495,046	353,100
ECC Contributions	367,800	351,700
Total	**27,282,340**	**26,062,561**

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

Particulars	2023	2022
General Services	27,499,819	24,442,813
Professional Services	26,921,498	27,437,205
Traveling Expenses	21,775,334	19,998,553
Training Expenses	12,168,276	10,990,144
Utility Expenses	9,983,613	8,967,040
Supplies and Materials Expenses	9,956,547	11,568,529
Communication Expenses	4,827,228	5,033,756
Repairs and Maintenance	3,363,438	3,310,216
Taxes and Licenses (Note 28.2)	2,668,619	1,402,548
Insurance Premiums and Other Fees	1,853,160	2,094,427
Confidential, Intelligence, Extraordinary and Miscellaneous Expenses	666,039	473,554
Other Maintenance and Other Operating Expenses	12,161,515	10,878,272
Total	**133,845,086**	**126,597,057**

18.1 General Services

This account can be broken down as follows:

Particulars	2023	2022
General Services	11,942,594	10,901,749
Janitorial Services	8,157,826	7,496,421
Security Services	7,399,399	6,044,643
Total	**27,499,819**	**24,442,813**

General Services account covers expenses such as payment for services like driving, and data encoding that support the day-to-day operations of the NEA. This account also includes expenses to keep NEA's premises clean and secure.

The increase in General Services is attributed to an increase in rates of contracted administrative, janitorial, and security personnel.

18.2 Professional Services

This account can be broken down as follows:

Particulars	2023	2022
Auditing Services	14,939,705	13,918,966
Consultancy Services	7,764,454	3,592,504
Other Professional Services	4,109,339	9,849,235
Legal Services	108,000	76,500
Total	**26,921,498**	**27,437,205**

Auditing Services account includes expenses incurred for auditing services rendered by the COA, authorized legal services, and professional services, which are advisory and require highly technical or special expertise.

Consultancy Services account pertains to expenses incurred for payment of services rendered by consultants and project officers or job orders. The increase in Consultancy Services is due to the engagement of additional consultants in 2023.

Other Professional Services account includes expenses incurred for the procurement of Business Intelligence Technology (NEA BIT System - Operations & Maintenance Applications, Helpdesk, and Infrastructure Services. As a result of the end of the contract with the service provider of NEA BIT System in 2023, the said account has decreased.

18.3 Traveling Expenses

This account can be broken down as follows:

Particulars	2023	2022
Traveling Expenses-Local	20,427,346	19,998,553

Particulars	2023	2022
Traveling Expenses-Foreign	1,347,988	0
Total	**21,775,334**	**19,998,553**

Traveling Expenses account includes expenses incurred by NEA officials and employees for authorized local and foreign travel.

18.4 Training Expenses

This account can be broken down as follows:

Particulars	2023	2022 (As restated)
Training Expenses	12,168,276	10,990,144
Total	**12,168,276**	**10,990,144**

Training Expenses account includes all expenses incurred in administering and implementing all training and development programs and in conducting capacity-building activities for the officers and employees of NEA and the ECs.

18.5 Utility Expenses

This account can be broken down as follows:

Particulars	2023	2022
Electricity Expenses	8,740,797	7,956,353
Water Expenses	1,242,816	1,010,687
Total	**9,983,613**	**8,967,040**

Utility Expenses account includes the cost of water and electricity supplied by local distribution companies to the NEA.

18.6 Supplies and Materials Expenses

This account can be broken down as follows:

Particulars	2023	2022
Gasoline, Oil and Lubricants Expenses	3,435,505	3,759,022
Office Supplies Expenses	2,866,293	2,944,342
Drugs and Medicines Expenses	20,710	44,098
Other Supplies Expenses	3,634,039	4,821,067
Total	**9,956,547**	**11,568,529**

Supplies and Materials Expenses account includes expenses on commonly used supplies and semi-expendable properties below the P50,000 threshold.

18.7 Communication Expenses

This account can be broken down as follows:

Particulars	2023	2022
Telephone Expenses- Landline	2,059,288	2,207,824
Internet Expenses	1,156,519	1,243,108
Telephone Expenses- Mobile	896,574	948,129
Postage and Deliveries	714,847	634,695
Total	**4,827,228**	**5,033,756**

Communication Expenses account includes telecommunication expenses incurred in the performance of service. This account also includes costs incurred for the delivery of official records, correspondences, documents, and the like.

18.8 Repairs and Maintenance

This account can be broken down as follows:

Particulars	2023	2022
Repairs and Maintenance- Office Building	1,620,916	2,262,394
Repairs and Maintenance- Motor Vehicles	1,072,552	247,589
Repairs and Maintenance- IT Equipment and Software	405,300	145,495
Repairs and Maintenance- Furniture and Fixtures	264,670	654,738
Total	**3,363,438**	**3,310,216**

Repairs and Maintenance account includes expenses incurred to restore the condition of NEA's assets such as office buildings, motor vehicles, IT equipment and furniture and fixtures.

18.9 Insurance Premiums and Other Fees

This account can be broken down as follows:

Particulars	2023	2022
Insurance Expenses	1,362,874	1,606,867
Fidelity Bond Premiums	490,286	487,560
Total	**1,853,160**	**2,094,427**

Insurance Premiums and Other Fees account includes expenses such as insurance premiums applied for NEA's properties against fire, loss, calamities, and the like and fidelity bond premiums of officers and employees**.**

18.10 Confidential, Intelligence, Extraordinary and Miscellaneous Expenses

This account can be broken down as follows:

Particulars	2023	2022
Extraordinary and Miscellaneous Expense	666,039	473,554
Total	**666,039**	**473,554**

Extraordinary and miscellaneous expenses account includes expenses incurred incidental to the performance of official functions of officers of the NEA.

18.11 Other Maintenance and Other Operating Expenses

This account can be broken down as follows:

Particulars	2023	2022
Subscription Expenses	6,612,029	6,442,062
Rent Expenses	574,819	598,790
Advertising Expenses	40,320	291,988
Printing and Binding Expenses	403,250	240,764
Representation Expenses	37,500	45,000
Other Maintenance and Operating Expenses	4,493,597	3,259,668
Total	**12,161,515**	**10,878,272**

Other Maintenance and Other Operating Expenses account includes costs incurred for subscription expenses for software license of the fortigate unified threat management firewall appliance, Cloud Subscription Services for NEA BIT Project, subscription of Kaspersky License Antivirus System, annual subscription of Adobe Team Licenses and Zoom Video Teleconferencing and the like. This account also includes costs incurred for the reproduction of documents, advertisement, printing and publication of documents such as EnerNEA Newsletters, NEA Annual Report, etc., and representation expenses incurred for official meetings and functions.

19. FINANCIAL EXPENSES

This account can be broken down as follows:

Particulars	2023	2022
Bank Charges	24,162	12,719
Total	**24,162**	**12,719**

Financial Expenses account includes bank charges imposed by financial institutions for various services rendered such as the cost of check booklets and fees charged on bank transfers.

20. NON-CASH EXPENSES

This account can be broken down as follows:

Particulars	2023	2022
Depreciation	14,344,046	13,548,770
Impairment Loss	19,169,386	3,602,887
Total	**33,513,432**	**17,151,657**

21. NON-OPERATING INCOME, GAINS OR LOSSES

21.1 Gains/(Losses)

Particulars	2023	2022
Gain/(Loss) on Foreign Exchange	(67,486)	917,125
Gain/(Loss) on Sale of Unserviceable Property	(374,630)	0
Total	**(442,116)**	**917,125**

The foreign exchange loss in CY 2023 was the result of the termination of the Dollar Savings Account and Time Deposit Accounts from the CY 2022 BSP Reference Rate of P56.120/$1 to the BSP Reference Rate of P55.671/$1 as at the termination date.

The loss on the sale of unserviceable property in 2023 resulted from the disposal of unserviceable NEA service vehicles and various ICT and Office Equipment made through Public Bidding.

21.2 Other Non-Operating Income

Particulars	2023	2022
Interest Income on Deposits	11,058,437	6,492,350
Miscellaneous Income	41,245	289,924
Total	**11,099,682**	**6,782,274**

Miscellaneous Income consists of income from Administrative Committee (AdCom) case fines, photocopying, cashier's deposit, and others.

22. INCOME TAXES

Income Tax is computed at a statutory tax rate of 25% for the year of net taxable income from operations, as follows:

Particulars	2023	2022
Net Income Before Income Tax	**98,319,516**	**137,800,189**
Non-Deductible Expenses:		
Bad debts	19,169,386	3,602,887

Particulars	2023	2022
Interest expense (33% of interest income subject to final tax)	0	2,142,475
Taxes, duties and licenses	2,211,687	1,252,238
Income Not Subject to Tax:		
Interest income subject to final tax	(11,058,437)	(6,492,349)
Gain/Loss on foreign exchange	67,486	(917,125)
Loss on disposal of unserviceable property	374,630	0
Net Income Subject to Tax	**109,084,268**	**137,388,315**
Income tax rate	25%	25%
Income Tax	**27,271,067**	**34,347,079**

A regular corporate income tax (RCIT) rate of 25% was used pursuant to Section 6 of RA No. 11534, also known as the *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE) Law.

Taxes, duties, and licenses amounting to P2.212 million refer to the Final Withholding Tax on Interest Income on bank deposits which is a non-deductible expense.

23. GOVERNMENT EQUITY

NEA has an authorized capital of P15 billion divided into 150 million shares at P100 par value per share.

24. CONTRIBUTED CAPITAL

This account pertains to prior years' appropriation released by the Government of the Philippines to NEA under RA No. 2717 and RA No. 6038; proceeds from US-PL-480 and Reparation Commission; shares from BIR franchise taxes; and other funds received from various government agencies in support of the rural electrification project. The amount is net of the P50 million considered as the initial capitalization of the Government of the Philippines with NEA under PD No. 269.

The total capital contribution of the NG to the NEA as at December 31, 2023 amounted to P4.970 billion. This account is reconciled with the records of the BTr.

25. DIVIDENDS

In 2023, the amount of P54.161 million was remitted to the BTr representing 50% dividends due from CY 2022 net earnings. This complies with the requirements of RA No. 7656 or the GOCC Dividends Law.

For CY 2023 net earnings, NEA will be remitting the amount of P43.057 million on or before May 15, 2024.

26. COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Actual receipts of service and business income were lower than the final budget primarily due to the decrease in interest income on loans.

Likewise, the actual payments were lower than the budgeted amount primarily due to the following:

a. Non-release of Provident Fund amounting to P23.327 million;
b. Actual payment of terminal leave represents 49% of the budgeted amount of P27.118 million;
c. Actual monetization of leave credits was 30% of the budgeted amount of P23.421 million;
d. Approved PRAISE for CY 2023 represents 15% of the budgeted amount of P22.325 million; and
e. Lower corporate income tax payment and dividend remittance to NG in 2023.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The NEA has significant financial risk from the following:

a. Credit Risk

This pertains to the risk of default in the payment of loan amortizations due by all borrowers of NEA. The NEA manages its credit risk through close monitoring. Billing and Collection Letters (BCLs) are sent out to ECs at least 15 days before the quarterly due date. An advance copy is sent through e-mail. The NEA also negotiates special payment arrangement (SPA) agreements/restructuring payment schemes to ECs with delinquent accounts.

b. Physical Risk

This pertains to the loss of or damage to the insurable assets of the NEA either by accident and/or dangers that pose a threat to physical assets.

Physical risks are managed by the NEA by obtaining insurance coverage through GSIS, which provides comprehensive protection of the agency’s assets against accidents, theft, damage, sabotage, and terrorism.

c. Liquidity Risk

Liquidity risk refers to the risk that NEA funds or cash flow will not be adequate to cover obligations associated with financial liabilities that require cash payments.

28. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with RR No.15-2010 dated November 25, 2010, the required information on taxes, duties, and license fees paid or accrued during the taxable year is presented as follows:

28.1 Output Value-Added Tax

The NEA is a non-VAT registered GOCC.

28.2 Taxes and Licenses

The details of Taxes and Licenses paid and accrued during the year are as follows:

Particulars	2023	2022
Withholding Tax on Interest on Deposits	2,211,687	1,252,238
Real Estate Tax	209,950	149,810
License	3,847	0
Non-VAT Registration	0	500
Taxes on Insurance Premium	243,135	0
Total	**2,668,619**	**1,402,548**

28.3 Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2023 and 2022 are shown below:

For the year ended December 31, 2023:

Particulars	Withheld	Remitted	Balance
Compensation and Benefits	41,965,322	35,538,437	6,426,885
Creditable Withholding Taxes	12,381,140	12,009,088	372,052
Total	**54,346,462**	**47,547,525**	**6,798,937**

The balance of withholding taxes as at December 31, 2023 will be remitted to the BIR in January 2024.

For the year ended December 31, 2022:

Particulars	Withheld	Remitted	Balance
Compensation and Benefits	38,676,052	33,807,610	4,868,442
Creditable Withholding Taxes	10,808,869	7,974,651	2,834,218
Total	**49,484,921**	**41,782,261**	**7,702,660**

The balance of withholding taxes as at December 31, 2022 was remitted to the BIR in January 2023.

29. LEGAL PROCEEDINGS INVOLVING NEA

The NEA is involved in several legal proceedings as follows:

Case Title	Nature
Arbitration Case No. 2018-003, Office of the Government Corporate	*Request for Arbitration on the Settlement of Unpaid Outstanding Loans of ECs assumed by PSALM.* • On January 03, 2011, NEA sought the intervention of the Office of the Solicitor General (OSG) regarding the claim

Case Title	Nature
Counsel (OGCC) NEA vs. PSALM	against PSALM relative to the issue of the effectivity of the assumption by PSALM of the loans of ECs and the payment thereof. NEA exhausted all legal remedies provided in its October 03, 2003 MOA with PSALM and the referral to the OSG was pursuant to the provisions of the MOA; the OSD endorsed the matter to the Department of Justice (DOJ) as it involves pure questions of law which fall within the exclusive jurisdiction of the Secretary of Justice pursuant to EO No. 292; • The DOJ, in its 1st Endorsement dated March 18, 2011, referred the matter to the OGCC for appropriate action; • OGCC rendered its Decision dated October 27, 2011, dismissing the case for being premature without prejudice to its refiling if efforts to settle fail; • NEA filed on November 20, 2018 Notice of Arbitration before the OGCC and docketed as 2018-003; • Series of hearings and meetings were held before the Arbitration Panel; • Order dated September 29, 2022, setting the case for hearing on October 11, 2022, and notifying the parties on the reconstitution of the Panel of Arbitrators in order to judiciously resolve the case; • Awaiting resolution from OGCC Arbitration Panel as at December 31, 2022.
Civil Case No. 100, Regional Trial Court (RTC) Branch 48, San Fernando City Pampanga NEECO II-A2 vs. NEA	*Declaratory Relief and Injunction with Prayer for Temporary Restraining Order (TRO) and/or Writ or (sic) Preliminary Injunction (WPI).* • This case is being handled by OGCC, as referred by NEA-Legal Services Office (LSO) on October 22, 2013; • Clarificatory hearing was scheduled on April 06, 2022; • Order dated May 30, 2022, directing counsel for petitioner to submit within five (5) days proof that it had seasonably appealed CA-G.R. 151134 to the Supreme Court; • An Order dated July 11, 2022 was received by NEA-LSO on July 26, 2022 - which avers “Wherefore in observance of judicial courtesy, the proceedings in the instant case, pending resolution of the aforementioned appeal by the Supreme Court;

Case Title	Nature
	• June 01, 2023 Order ordering petitioner's counsel to submit to the court an update on the status of G.R. 256393 within 10 days from notice; • Petitioner filed Compliance to said directive attaching as Annex "A" the Notice of Resolution dated January 30, 2023 issued by Supreme Court; • Order dated July 03, 2023, the court noted the compliance filed by petitioner relative to the Order dated June 01, 2023 directing petitioner's counsel to submit an update on the status of G.R. 256393; • Pending further court action.
COA CP Case No. 2021-191, COA Quezon City Carlito M. Eje, et al vs. NEA	*Money Claims* • On March 18, 2021, NEA-LSO received a copy of the Petition for Money Claims filed by petitioners; • This case was endorsed to the OGCC for appropriate action and represent NEA before the COA; • On April 12, 2021, NEA-LSO received an order dated March 15, 2021 directing respondent to file answer to the petition within 15 days from notice; • Defendant NEA, through OGCC file answer with counterclaim dated May 12, 2021; • Petitioners filed a Motion for Reconsideration (MR) on the Decision dated March 22, 2023; • Pending further court action.
RAS-C-19-0219-M (IC-OC-18-1915), Office of the Ombudsman, Quezon City Edna Raña et al. vs, NEA Board, et. al	*Claim for Gratuity Benefits from Separated/Terminated NEA Employees* • A letter complaint was filed before the Office of the Ombudsman, Quezon City, on October 22, 2018; • On May 31, 2019, NEA-LSO received a copy of the Ombudsman Notice of Conference dated May 30, 2019. In the Notice, NEA was directed to appear before the Action Officer on June 06, 2019 at 2:00PM; • The said conference meeting was attended by Atty. Xerxes Adzuara, for NEA; • The case is still pending with the COA.

<table>
<tr><th>Case Title</th><th>Nature</th></tr>
<tr><td>CA-G.R. Sp No. 143494
(Civil Case No. Q-92-12645)

Vida Bernardo Ong, et al vs. Hon. Cleto Villacorta, Acting Presiding Judge, RTC, Br. 77, Q.C. Heirs of Burgos Pangilinan, NEA, et al</td><td>Cancellation of Title

• The property was subject of a court action wherein on May 15, 2015, RTC of Quezon City ruled in favor of NEA by dismissing the Civil Case No. Q-92-12645, entitled Manuel Silvestre Bernardo, et. al vs. Heirs of Burgos Pangilinan, NEA, et al and declaring NEA’s title to be presumptively regular since the ‘the court finds that Manuel Bernardo and the heirs of Bernardo failed to overcome the presumption of regularity;

• On January 29, 2019, the Court of Appeals rendered its Decision denying the Petition for Certiorari filed by Vida Bernardo Ong, et al. and affirmed the RTC Branch 77 Orders of September 9, 2015 and October 15, 2015 in the case docketed as CA-G.R. Sp No. 143494 entitled “Vida Bernardo Ong, et. Al’;

• On January 31, 2019, Quezon City Councilor Marivic Co-Pilar of the District 6, QC, wrote a letter to NEA with an offer to buy the NEA property located at Upper Bernardo, Brgy. Pasong Tamo, QC;

• Then Administrator Edgardo R. Masongsong wrote a letter to COA-NEA requesting to apprise NEA as to the rules and procedures governing the disposal of the said property is concerned;

• Also, then Administrator Masongsong sent a reply-letter to Hon. Marivic Co-Pilar signifying NEA’s interest to sell the subject property;

• Still pending clarification.</td></tr>
<tr><td>CA-G.R. Sp No. 174727, Court of Appeals, Manila (SCA Case No. R-QZN-21-09380-CV, RTC, Branch 77, QC

Inocencio M. David, Jr., et al. vs. NEA, DBM and GCG</td><td>Mandamus on Appeal (Separation Benefits)

• Petitioners filed Petition for Mandamus before the Regional Trial Court, Branch 77, Quezon City;

• RTC Branch 77 of Quezon City issued an Order dated March 28, 2022 denying petition;

• Petitioners filed Motion for Reconsideration dated April 6, 2022 before the RTC Branch 77 of Quezon City;

• Motion was denied by RTC in its Resolution dated June 28, 2022;

• Petitioners filed Notice of Appeal to the Court of Appeals,</td></tr>
</table>

Case Title	Nature
	Manila, to compel the NEA and the DBM to pay the difference between separation benefits which were actually received and the separation benefits which should have been received by the NEA employees who were involuntarily separated from the government service due to the advent of RA No. 9136; • In a resolution dated September 2022, respondents were directed to file their respective Memoranda within a non-extendible period of 30 days from receipt of notice; • Respondent NEA filed a Memorandum on November 16, 2022; • Respondents GCG and DBM, thru its counsel OSG, filed Joint Memorandum dated November 08, 2022; • Petitioners filed on November 16, 2022 Appellant's Memorandum before the Court of Appeals, Manila; • On January 05, 2023, Plaintiffs-Appellants, through counsel Atty. Goldelio G. Rivera, filed Motion for Leave of Court to File the Appellant's Motion to Withdraw Petition for Mandamus and Mandamus on Appeal; • Court of Appeals issued a Notice dated March 1, 2023 avers; All required pleadings having been filed by the herein parties, the petition is now submitted for decision; • On October 26, 2023, Plaintiffs-appellants filed Motion for Leave to Admit Motion for Early Resolution; • Pending Resolution.

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial

Loans Receivable

1. The faithful representation of the balance of Loans Receivable account of P11.140 billion as of December 31, 2023 was not ascertained due to the following: (a) unreconciled variance amounting to P7.773 million between the book balance and the confirmed balances of Electric Cooperatives (ECs); and (b) unreconciled variance of P21.130 million between the Loan Profile and the book balance, contrary to paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1.

1.1. Paragraph 27 of IPSAS 1 states that:

> *Financial Statements shall present fairly the financial position, financial performance, and cash flows of an entity.* ***Fair presentation requires the faithful representation of the effects of transactions****, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.* (emphasis supplied)

1.2. As of December 31, 2023, Loans Receivable account has a balance of P11.140 billion, broken down as follows:

Particulars	Amount
Loans Receivable- PSALM	2,155,490,219
Loans Receivable- EC	8,784,005,477
Loans Receivable-NEECO II	184,389,672
Loans Receivable- Municipal System	7,708
Loans Receivable- Others	1,042,482
Interest Receivable	14,655,090
Total	**11,139,590,648**

1.3. Audit of Loans Receivable account disclosed the following observations:

a. Unreconciled variance between the book balance and confirmed balances of ECs - P7.773 million

a.1. For CY 2023, confirmation letters were sent to the Electric Cooperatives (ECs) to confirm their balances as of December 31, 2023. Of the 121 confirmation letters, the Audit Team received confirmation replies from 65 ECs.

a.2. The result of the confirmation disclosed a total variance (in absolute value) of P532.500 million. Analysis and reconciliation by the Financial Services and Accounting Division (FSAD) of the variance between the subsidiary ledger balances and the amounts confirmed by the ECs resulted to a remaining variance of P7.773 million, summarized as follows:

Particulars	Per Books	Per Confirmation	Variance	Remarks
Matured loans unpaid by the end of 2023	7,027,862	0	7,027,862	Not confirmed by EC
Interest in arrears	130,784,503	131,254,051	469,548	Some ECs have included in their confirmations the interest in arrears.
Other unreconciled balances*****	1,682,344,920	1,682,069,083	275,837	
Total	**1,820,157,285**	**1,813,323,134**	**7,773,247**	

**Pertains to various ECs wherein, book balance is greater than the confirmed balance and vice versa*

a.3. Although the variance was significantly reduced after analysis and reconciliation, the audit team was not able to determine by means of audit procedures applied whether adjustments are necessary on the Loans Receivable and other affected accounts as of December 31, 2023, in respect of the unreconciled variance of P7.773 million.

b. Unreconciled variance between the Loan Profile and the book balance - P21.130 million

b.1. The loan balance per books against the Loan Profile Report prepared by the Treasury Division disclosed a total variance (in absolute value) of P21.130 million, as shown below:

Particulars	***Amount***
Recorded in the books but not reflected in the Loan Profile	
Matured loans unpaid by the end of 2023	12,486,287
Reflected in the Loan Profile but not recorded in the books	
Capitalized Interest	33,222
Interest and surcharges	4,449,264
Interest in arrears	664,890
Unclaimed Subsidy loan check	3,000,000
Other unreconciled balances	495,840
Total	**21,129,503**

b.2. It was noted that the Loan Profile is prepared and maintained by the Treasury Division to monitor the loan balances of various EC borrowers. On the other hand, the FSAD records the loan-related transactions in the books and prepares the financial statements of NEA. Since the source documents of the loan transactions are being used by these two Divisions, periodic reconciliation of the balances of EC accounts will not be difficult.

1.4. The deficiencies noted are caused by the following:

a. Lack of coordination and prompt reconciliation with various EC borrowers for the outstanding loan balances as at reporting date; and

b. Inadequate coordination and reconciliation between FSAD and the Treasury Division with respect to the loan-related transactions of NEA.

1.5. In view of the unreconciled variances noted between NEA's books as against the confirmed loan balances by the ECs and the Loan Profile of the Treasury Department, the faithful representation of the year-end balance of the Loans Receivable account was not established.

1.6. **We recommended and Management agreed to direct the Financial Services and Accounting Division, through the Corporate Resources and Financial Services to:**

a. Reconcile the variance of loans receivable with the ECs and prepare the necessary adjusting entries; and

b. Reconcile its records with the Treasury Division and immediately take up the necessary adjustments in the books.

Inventories

2. The balance of the Inventories account amounting to P7.725 million as of December 31, 2023, includes: (a) non-existent inventory items totaling P5.212 million; (b) inventory items with negative/abnormal balances in the amount of P12.381 million; and (c) dormant inventory accounts totaling P12.045 million, hence, faithful representation of the account was not ascertained contrary to paragraph 27 of IPSAS 1.

2.1. The faithful representation requirement embodied in paragraph 27 of IPSAS 1 is presented in paragraph 1.1.

2.2. The Revised Chart of Accounts (RCAs) for Government Corporations 2019, adopted through COA Circular No. 2020-002 dated January 28, 2020, defined the following accounts:

Due From Officers and Employees	-	*This account is debited to recognize amount of claims from entity's officers and employees for overpayment (not covered by notice of disallowance), cash shortage, loss of assets and other bills issued by the entity (not covered by notice of charge) and temporary stock shortages. This account is credited for receipt of payment, write-off, approved relief from property accountability, allowable variance between books and volumetric count of merchandise inventory and the like, and/or adjustments.*

Inventory Held for Sale - *This account is debited to recognize the cost of goods purchased/acquired/produced/ constructed as well as share in the reclaimed land with proponents, land, completed buildings and other items that are intended for sale in the ordinary course of business. This also includes forest products, food supplies for canteen operations and the like, and other merchandise. This account is credited for the sale, transfers, losses, other disposals, and/or adjustments.*

Loss of Assets - *This account is debited to recognize amount of loss suffered by government due to theft/fortuitous events/ calamities/civil unrest and events of same nature.*

2.3. Inventories account has a reported balance of P7.725 million as of December 31, 2023, broken down as follows:

Account Name	Amount
Inventories Held for Sale	
Merchandise Inventory for Sale (MIS)	5,107,576
Merchandise Inventory in Transit (MIT)	(231,197)
Subtotal	**4,876,379**
Inventories Held for Consumption	
Office Supplies Inventory	2,237,515
Other Supplies Inventory	611,375
Subtotal	**2,848,890**
Net Inventories	**7,725,269**

2.4. Review of Inventories accounts revealed the following deficiencies:

a. Inclusion of non-existent inventory items - P5.212 million

a.1. Inventories account includes the cost of merchandise inventory for sale with book value of P5.212 million stored in Nueva Vizcaya Electric Cooperative (NUVELCO) Staging Area which was burned on November 21, 2001. In compliance with COA's recommendation in 2010, NEA requested relief from accountability through a Memorandum dated September 14, 2010. Currently, the said request is pending with COA for resolution/decision.

a.2. It was noted that the merchandise inventories for sale are no longer existing since they were burned/lost in the fire that gutted NUVELCO in year CY 2021. Consequently, the same shall be derecognized from the books. Moreover, a receivable account shall be set up to record the accountability of the accountable personnel pending the decision on the request for relief from accountability.

a.3. Moreover, NEA should investigate to gather essential information and determine the accountable NEA personnel for the loss of assets and the extent of their liability, if any.

a.4. The non-derecognition of non-existent inventory items overstated the balances of Inventories and Accumulated Surplus accounts both by P5.212 million.

b. Inclusion of accounts with negative/abnormal balances - P12.381 million

b.1. Inventories include accounts with negative/abnormal balances, as detailed below:

Account Code	Amount
MIS:	
154-001-05	157,403
MIT:	
154-002-011	4,006,228
154-002-001	2,738,093
154-002-002	3,159,446
154-002-003	79,960
154-002-008	1,521,998
154-002-010	717,559
Total	**12,380,687**

b.2. The existence of negative/abnormal account balances indicates errors in the recording of transactions. As a result, Inventories account is understated and related accounts are misstated by P12.381 million.

c. Inclusion of dormant inventory accounts - P12.045 million

c.1. Inventory items costing P12.045 million were dormant for more than eight years, as shown below:

Account Code	Amount	Years Dormant
MIS:		
154-001-05	53,193	8.53
MIT:		
154-002-005	7,850	16.81
154-002-006	4,453	16.81
154-002-007	100	16.81
154-002-009	11,979,684	
Total	**12,045,280**	

c.2. Audit disclosed that the dormant inventory accounts are not among the inventory items listed in the Report on Physical Count of Inventories (RPCI), thus, rendering the existence doubtful. It is emphasized that the above accounts are temporary which shall be recorded in their appropriate accounts.

2.5. The deficiencies noted are attributed to the inadequate accounting control procedures in listing, verifying, and reconciling the value of the inventory items as of year-end.

2.6. The inclusion of non-existent inventory items, abnormal/negative balances, and dormant inventories create doubt on the existence, completeness, and valuation of Inventories account.

2.7. **We recommended and Management agreed to require the Financial Services and Accounting Division, through the Corporate Resources and Financial Services, to:**

a. Take up the corresponding adjusting entries to derecognize the non-existent inventory items included in the Inventories account amounting to P5.212 million and the corresponding liability of the accountable officers, if any; and

b. Review and analyze the following accounts to determine the appropriate adjustments:

b.1 Inventory accounts with negative/abnormal subsidiary ledger balances; and

b.2 Dormant accounts.

Inter-Agency Payables

3. The balances of Due to BIR, GSIS, Pag-IBIG, and PhilHealth accounts amounting to P6.799 million, P9.823 million, P0.506 million, and P0.583 million, respectively, as of December 31, 2023 included uncorrected negative/abnormal balances totaling P1.075 million, hence, reliability of the account balances is doubtful, contrary to paragraph 27 of IPSAS 1.

3.1. The faithful representation requirement embodied in paragraph 27 of IPSAS 1 is presented in paragraph 1.1.

3.2. As of December 31, 2023, the outstanding balance of the mandatory government deduction accounts amounted to P17.711 million, detailed as follows:

Account Name	No of Individual Accounts	Amount
A. Due to BIR		
Withholding Tax	396	6,426,813
Expanded Tax	278	217,725
Franchise/Percentage Tax	53	2,156
Value Added Tax	179	152,171
For Adjustment	1	72
Total	**907**	**6,798,937**

Account Name	No of Individual Accounts	Amount
B. Due to GSIS		
Life and Retirement	9,254	7,459,016
Optional Insurance	55	3,924
Salary Loan/Conso Loan	1,265	673,557
Policy Loan	1,751	58,800
Unlimited Insurance	5	297
College Educational Assurance Plan (CEAP)	2	656
Genesis Plus (GP)	4	252
Educational Assistance	127	4,353
Emergency Loan	990	55,795
Calamity Loan / Home Emergency Loan Program (HELP)	13	(884)
Summer One-Month Salary (SOS)	26	5,348
eLoan	33	54
Optional Loan	10	(856)
GSIS Financial Assistance Loan (GFAL)	2,470	752,756
Multi-Purpose Loan (MPL)	2,461	783,039
Computer Loan	617	23,600
GFAL-Educational Loan	33	3,367
Total	**19,116**	**9,823,074**
C. Due to Pag-IBIG		
Pag-IBIG Contribution	7,772	117,200
MPL	1,190	175,912
Pag-IBIG Housing Loan (PHL)	52	21,031
Modified Pag-IBIG II (MP2)	2,029	191,900
Total	**11,043**	**506,043**
D. Due to PhilHealth	**415**	**583,300**
Total		**17,711,354**

3.3. Review of the SLs of employees' accounts revealed the following:

a. Existence of abnormal/negative balances of individual accounts – P1.075 million

a.1. Audit disclosed that 221 individual accounts have negative/abnormal balances aggregating P1.075 million as of December 31, 2023, detailed as follows:

Account Name	No. of Individual Accounts with Debit Balance	Amount
A. Due to BIR		
Withholding Tax	98	616,051
Expanded Tax	51	131,882
Franchise/Percentage Tax	16	23,992

Account Name	No. of Individual Accounts with Debit Balance	Amount
Value Added Tax	33	286,088
Subtotal	**198**	**1,058,013**
B. Due to GSIS		
Life and Retirement	1	1,397
Salary Loan	3	3,599
Policy Loan	1	400
Emergency Loan	1	1
Calamity Loan	2	3,164
eLoan	8	1,718
Optional Loan	1	1,108
Subtotal	**17**	**11,387**
C. Due to Pag-IBIG		
Pag-IBIG Contribution	1	100
MP2	2	1,500
Subtotal	**3**	**1,600**
D. Due to PhilHealth		
Due to PhilHealth	**3**	**3,935**
Total	**221**	**1,074,935**

a.2. The existence of negative/abnormal accounts indicate errors in the recording of the transactions affecting the fair presentation of the accounts. As a result, Due to BIR, Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth accounts are understated and related accounts are misstated by P1.075 million.

b. Dormant/non-moving balances

b.1. The following accounts have been dormant and non-moving for more than nine years as of December 23, 2023:

Account Name	SL Name	SL Code	Last Posted Transaction	Balance
Due to GSIS	GP	413-08	JEV-2014-04-002750 / 04/04/2014	252
Due to BIR	CEBECO III	412-2-EC031	JEV-2008-07-005076 / 07/23/2008	149
	Government Association of CPA's (GACPA)	412-2-RF004	JEV-2009-05-003173 /05/14/2009	144
	FDR FOODS-NTC-NCR	412-2-SO302	JEV-2008-11-008288/11/06/2008	1,826
Due to Pag-IBIG	Gabriana, Mila Presto	414-2-0202	JEV-2007-02-001025 / 02/01/2007	370
	Bautista, Sergio Altuna	414-2-0250	JEV-2014-05-003740 / 05/12/2014	903
	Pangilinan, Gloria M.	414-2-0272	JEV-2012-04-002552 / 04/11/2012	622
		Total		**4,266**

3.4. In the previous year's audit, NEA Management stated that there is an ongoing reconciliation of the balances of Due to GSIS, Pag-IBIG, and PhilHealth accounts. Once the reconciliation is completed, they will remit the correct amounts to these government agencies, including any excess premiums or loans deducted from the employees' salaries. However, as of reporting date, the accounts remained unreconciled.

3.5. The deficiencies are attributed to the lack of proper coordination by the **Human Resources Management Division** (HRMD) with the BIR, GSIS, Pag-IBIG, and PhilHealth relative to the reconciliation of their records.

3.6. **We recommended and Management agreed to require the Financial Services and Accounting Division and Human Resources Management Division through the Corporate Resources and Financial Services to analyze the negative/abnormal balances of Due to BIR, Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth accounts and dormant balances, and make the necessary adjustments in the books to correct the balances of the affected accounts.**

B. Non-Financial

Unexpended and Unreturned Subsidy Fund

4. Unexpended subsidy fund representing current and prior years audit of 40 ECs has accumulated to P1.439 billion as of December 31, 2023, and not returned to NEA despite the lapse of 9.5 years due to NEA's laxity and inconsistent enforcement of the provisions of the Memorandum of Agreement (MOA) and applicable NEA-issued Memoranda, contrary to Item Nos. 5, 6, and 7 of the MOA entered into by and between NEA and ECs and NEA Memorandum Nos. 2013-023 dated October 10, 2013 and 2015-036 dated December 9, 2015 as amended, depriving the National Government (NG) of the much-needed subsidy funds for the implementation of other electric service projects.

4.1. The MOA[1] executed by and between NEA and ECs, particularly Item Nos. 5, 6, and 7, provides that:

> *5 NEA and the Commission on Audit shall require the submission of vouchers and other documents relevant to the grant and the project(s) as well as conduct an audit on all transactions made with respect thereto, pursuant to the provisions of PD No. 1445 as amended.*
>
> *6 NEA shall institute appropriate actions and/or suspend release of the subsidy fund in the event of failure of the RECIPIENT to strictly comply with provisions of this agreement.*
>
> *7 It is agreed that all amounts in excess of total disbursement 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. xxx.*

4.2. Further, NEA Memorandum No. 2013-023 dated October 10, 2013, requires all ECs to submit to NEA Accounts Management and Guarantee Department (AMGD) within six months after final inspection and acceptance of NEA the original copies of all documents required for the liquidation of all subsidy releases.

[1] The item number may differ per MOA, but provisions are similarly stated.

4.3. On the other hand, NEA Memorandum No. 2015-036, dated December 9, 2015, as amended by NEA Memorandum No. 2019-042, outlines the procedures for preparing the Accounting of Funds (AFs) and identifies allowable expenses against contingency funds or overhead for projects funded by subsidies.

4.4. Examination of liquidation documents and validation of records revealed the following:

a. Accumulated unexpended balance amounting to P1.439 billion

a.1. The unexpended balance of subsidy fund transferred to 40 ECs covering transactions from CYs 2013 to 2023 has accumulated to P1.439 billion as of December 31, 2023. This includes: a) excess subsidy funds; b) charges not allowed in audit; and c) transactions with incomplete documentation. Relative to this, it was recommended that NEA demand the ECs to return the unexpended balance as provided in Item No. 7 of the MOA and submit the lacking documents.

a.2. The unexpended balance of P1.439 billion was derived from the transactions of 40 ECs, broken down as follows:

Year Audited	No. of ECs	Balance as of 12/31/2023	Unexpended Subsidy Fund Return	Unexpended Subsidy Fund Adjustment	Adjusted Balance
2023	6	485,161,726	3,291,682	5,566,588	476,303,456
2013-2022	34	971,094,916	7,899,447	0	963,195,469
Total	**40**	**1,456,256,642**	**11,191,129**	**5,566,588**	**1,439,498,925**

a.3. Detailed breakdown of the table presented above is as follows:

Year Audited	EC	Unexpended Balance as of 12/31/2023	Returned /Adjusted: Unutilized Fund	Returned /Adjusted: Non-Allowable Charges	Returned /Adjusted: Lack of Supporting Documents	Adjusted Unexpended Balance
2023	CEBECO II	74,586,586	0	0	0	74,586,586
2023	CEBECO III	15,665,551	0	55,951	0	15,609,600
2023	ISECO	13,878,499	0	1,024,656	5,566,588	7,287,255
2023	LEYECO IV (1)	2,809,300	0	0	0	2,809,300
2023	LEYECO IV (2)	2,087,404	0	0	0	2,087,404
2023	SUKELCO	211,365,473	0	2,211,075	0	209,154,398
2023	ASELCO	164,768,913	0	0	0	164,768,913
Sub-Total		**485,161,726**	**0**	**3,291,682**	**5,566,588**	**476,303,456**
2022	PANELCO III	4,979,012	0	0	0	4,979,012
2022	TARELCO I	4,640,531	0	0	0	4,640,531
2022	MOPRECO	1,476,923	0	0	0	1,476,923
2022	CAMELCO	51,397,749	0	0	0	51,397,749
2020	MAGELCO	169,888,984	0	794,430	0	169,094,554
2020	BASELCO	14,505,882	0	1,000,000	0	13,505,882
2020	LASURECO	119,733,239	0	0	0	119,733,239

Year Audited	EC	Unexpended Balance as of 12/31/2023	Returned /Adjusted			Adjusted Unexpended Balance
			Unutilized Fund	Non-Allowable Charges	Lack of Supporting Documents	
2020	SULECO	8,866,208	0	0	0	8,866,208
2020	TAWELCO	34,278,594	0	0	0	34,278,594
2020	SIASELCO	8,005,442	0	0	0	8,005,442
2019	CASURECO I	40,849,929	0	157,038	0	40,692,891
2019	CASURECO III	6,548,473	0	890,193	0	5,658,280
2019	CASURECO III - Unutilized HW	105,000	0	0	0	105,000
2019	CANORECO - Unutilized HW	6,645,000	0	0	0	6,645,000
2019	SORECO II*	34,172,506	0	3,250,000	0	30,922,506
2019	SAMELCO II*	51,722,065	0	0	0	51,722,065
2019	DORECO	31,782,018	0	0	0	31,782,018
2019	DORECO - Unutilized HW	6,772,500	0	0	0	6,772,500
2019	IFELCO - Unutilized HW	8,472,500	0	0	0	8,472,500
2019	QUEZELCO II - Unutilized HW	150,000	0	0	0	150,000
2019	PELCO I - Unutilized HW	77,500	0	0	0	77,500
2018	ISELCO I	11,836,182	0	1,807,786	0	10,028,396
2018	SOLECO	8,047,981	0	0	0	8,047,981
2018	TISELCO - SEP/BLEP/YRRP	4,872,982	0	0	0	4,872,982
2017	BENECO	2,674,044	0	0	0	2,674,044
2017	ILECO I	2,175,443	0	0	0	2,175,443
2016	LEYECO III	4,239,922	0	0	0	4,239,922
2016	LEYECO III – YRRP	77,851,469	0	0	0	77,851,469
2016	DORELCO – YRRP	194,866,285	0	0	0	194,866,285
2015	ANECO	1,815,842	0	0	0	1,815,842
2015	ILECO II	10,775,334	0	0	0	10,775,334
2015	NONECO	893,121	0	0	0	893,121
2015	NORECO I	8,317,396	0	0	0	8,317,396
2014	MASELCO	7,174,706	0	0	0	7,174,706
2014	PANELCO I	199,211	0	0	0	199,211
2014	SURSECO I	2,707,284	0	0	0	2,707,284
2013	AURELCO	480,102	0	0	0	480,102
2013	TARELCO I	27,097,557	0	0	0	27,097,557
Sub-Total		**971,094,916**	**0**	**7,899,447**	**0**	**963,195,469**
Total		**1,456,256,642**	**0**	**11,191,129**	**5,566,588**	**1,439,498,925**

a.4. The unexpended balance of P1.439 billion has been existing for 9.5 years and has not been fully returned to NEA contrary to Item 7 of the MOA.

b. Laxity in the review of the liquidations made by ECs

b.1. NEA issued guidelines on May 1, 2015, with revisions in CYs 2017, 2022, and 2023, relative to the liquidation of subsidy funds released to ECs. Under the said guidelines, the Accounts Servicing Division (ASD) should verify the completeness of the submitted liquidation documents. The scope of evaluation was broadened in the revision made on December 11, 2023, to include validation of the correctness of the forms/templates; compliance with NEA issued Memorandums, and mechanisms referring to Legal Services Office (LSO) for possible legal remedy or sanctions for ECs with long outstanding unliquidated/ unreturned balances.

b.2. However, despite the existence of these guidelines, it was noted that the liquidation documents submitted by ECs were not thoroughly examined during the initial stage of the liquidation process. As a result, ASD was not able to immediately establish whether the submitted liquidation documents were complete and compliant with NEA-issued memoranda, demand from the ECs the lacking documents and/or initiate appropriate action.

b.3. A detailed examination of the liquidation documents submitted by the EC is necessary to ensure that submitted documents are complete and that all transactions reported in the AFs are valid and directly related to the implementation of the projects before the preparation of Journal Entry Voucher (JEV) and before the account of the EC is cleared out in the books of accounts. In this way, the unexpended balance noted in the audit would be avoided.

b.4. The occurrence of accumulated unexpended subsidy funds was due to the laxity of the ASD in performing the required actions provided in NEA's existing guidelines.

c. Inconsistent actions taken on the implementation of the MOA and issued Memoranda to all ECs

c.1. Item 6 of the MOA allows NEA to institute appropriate actions to ensure that concerned ECs will strictly comply with the provisions.

c.2. Relative to this, Management, through the ASD, took the following actions: a) sent letters to selected ECs following up on the return and/or compliance with the unexpended balance; b) required the selected ECs to issue post-dated checks (PDCs); and c) continued re-evaluation of the financial standings of ECs.

c.3. In addition, the Total Electrification and Renewable Energy Development Department (TEREDD) conducted validation and inspection of the projects to determine adjustments, if any. However, the results of their validation were not yet submitted to the Audit Team for verification.

c.4. Further, the actions taken on the implementation of MOA by the ASD and TEREDD were inconsistent/not uniform to all ECs, and the noted discrepancies with the same nature per EC were dealt with on a case-to-case basis.

4.5. Management informed that the personnel of ASD could not perform detailed validation of the liquidation documents received from various ECs due to the volume of documents compounded by the lack of manpower. They emphasized that they performed only a simple checking of the completeness of the liquidation documents based on the checklist, then recommended the preparation of JEV to the FSAD.

4.6. The deficiencies noted are attributed to the following:

a. NEA has allowed the practice of ECs to include in the AF the disbursements without complete supporting documents and include non-allowable charges;

b. Laxity of ASD in the review of the completeness of submitted documents and proper implementation of the provisions of the MOA and applicable NEA memoranda;

c. ASD has not effectively executed appropriate internal control and standard procedures over the liquidation of subsidy funds; and

d. ASD has not performed effective monitoring and follow-up processes that will facilitate the proper implementation of the provisions of the MOA and applicable NEA memoranda.

4.7. Despite the lapses committed by ECs in the liquidation of subsidy funds released to them, NEA continued to release subsidy funds totaling P958.430 million to 30 ECs with unexpended balances in CY 2023. The practice of allowing new releases to ECs with unexpended balance implies leniency in the enforcement of the provisions of MOAs and NEA-issued memoranda.

4.8. The promotion of sustainable development in rural areas through rural electrification is paramount. However, existing rules and policies should be strictly complied with for the proper and systematic implementation of the projects where significant amount of government funds are appropriated. The essence of the issuance of MOA and NEA-issued memoranda becomes pointless if not complied with by the NEA and the ECs.

4.9. **We recommended and Management agreed to require the Accounts Servicing Division to:**

a. Review the status of the unexpended balances of the 40 Electric Cooperatives (ECs) and refer to the Legal Services Office for appropriate legal action, if necessary, including the sending of demand

letters to all 40 ECs for the return to NEA of the unexpended balance of subsidy funds and/or the immediate submission of the required additional supporting documents for liquidation;

b. **Review the current existing guidelines relative to the liquidation of the subsidy fund received by ECs and, if necessary, recommend revisions that will address the discrepancies noted;**

c. **Strictly implement the actions to be taken in the evaluation of the liquidation documents submitted by ECs as stated in the Revised Guidelines on the Liquidation of Subsidy Funds released to ECs issued on December 11, 2023;**

d. **Conduct thorough verification and evaluation of liquidation documents to ensure correctness and validity of disbursements included in the Accounting of Funds and before clearing the accounts of the ECs in NEA's books of accounts; and**

e. **Direct the concerned ECs to return and monitor the disbursements determined as non-allowable charges.**

4.10. Management commented that they are complying with the audit recommendations. Accordingly, they recognize the need to evaluate/verify the liquidation documents submitted by the ECs to ensure that only valid and allowable expenses are charged against the subsidy funds and minimize if not eliminate the occurrence of unexpended subsidy balances due to lack of supporting documents and charging of non-allowable expenses not related to the project.

4.11. Further, they stated that beginning CY 2023, the ASD has been conducting validation of submitted liquidation documents ensuring that documents are complete, the forms/templates used are correct, NEA Memoranda are complied with before liquidation and any excess subsidy funds including interest earned are timely returned to NEA. As of February 20, 2024, a total of P96.959 million, or 15.53 per cent was liquidated leaving a balance of P527.298 million.

4.12. In addition to the actions taken by Management, the latter stated that NEA provided options on the return of unexpended subsidy balances by allowing the staggered return by issuing PDCs or availment of loans, if warranted, for the unexpended subsidy balances with material amounts. Also, NEA conducted a periodical evaluation of the EC's financial standings to determine the need to accelerate their return of the unexpended subsidy balances, and for non-complying ECs, cases are referred to LSO for appropriate legal action.

Auditor's Rejoinder

4.13. We appreciate the continuous effort of the Management to require the ECs to comply with the audit recommendations. However, considering the amount of unreturned subsidy funds and non-submission of additional supporting documents necessary for audit despite the lapse of 9.5 years, NEA should strengthen further their efforts to ensure that the concerned ECs with unexpended balances will comply immediately with the audit recommendations. Further, Management, particularly the ASD should strictly enforce the provisions of the MOA and NEA-issued guidelines relative to the liquidation of subsidy funds released to ECs in order to achieve effective and proper implementation thereof.

Unliquidated Subsidy Fund

5. Subsidy funds released to various ECs for the implementation of Rural Electrification Programs totaling P992.593 million remain unliquidated and unremitted as of December 31, 2023, due to NEA's inadequate enforcement of Item Nos. 3, 4, 6, and 7 of the MOA entered into by and between NEA and ECs.

5.1. This is a reiteration of previous years' audit observation with updates.

5.2. The MOA[2] executed by and between NEA and ECs, particularly Item Nos. 3, 4, 6, and 7 provides that:

Item No. 3

i. *The project(s) should be **implemented and completed within six (6) months** after receipt of the subsidy appropriations by the RECIPIENT from NEA.* (emphasis supplied)

ii. *Should the RECIPIENT foresee the possibility of failing to complete the project(s) within six-month period, it shall make a written request for extension thereof within thirty (30) days before its expiration. NEA shall act on the request for extension within the same 30-day period. Furthermore, **any extension of the said six-month period shall, in no case, exceed three (3) months.*** (emphasis supplied)

Item No. 4

***x x x . . . 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 a 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* (emphasis supplied).

[2] The item number may differ per MOA, but provisions are similarly stated.

Item No. 6

NEA shall institute appropriate actions and/or may suspend the release of the subsidy funds in the event of failure of the RECIPIENT to strictly comply with the provisions of this agreement.

Item No. 7

It is agreed that all amounts in excess of total disbursement 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. Xxx.

5.3. NEA received subsidy funds from the NG and distributed to different ECs for electrification projects like Sitio Electrification Program (SEP), Barangay Line Enhancement Program (BLEP), Housewiring Program, and other calamity grants caused by typhoons, earthquakes, and armed conflicts.

5.4. According to the MOA between NEA and ECs, the ECs have a **six-month timeframe to implement and complete the projects** after receiving subsidy funds from NEA. If there is a concern about completing the projects within the given six months, ECs must submit a written extension request to NEA, with a maximum **extension of three months**. **Additionally, ECs are required within three months from completion of the projects to settle/liquidate the subsidy funds**.

5.5. Further, the NEA has the authority to take necessary measures/actions if ECs do not adhere strictly with the MOA provisions. In addition, NEA should conduct periodic inspection to monitor the project progress, as well as fund utilization and recommend remedial/corrective actions for any issues/problems that may arise.

5.6. NEA records a debit to the *Due from Non-Governmental Organizations/Peoples Organizations (NGOs/POs)* account upon release of subsidy funds to ECs, and a credit upon settlement/liquidation of the subsidy funds by ECs. As of December 31, 2023, the *Due from NGOs/POs* account has a balance of P3.672 billion, aged as follows:

Age	Balance as of December 31, 2023	
Current:		
Less than 1 year		2,679,506,758
Past Due Liquidation:		
More than 1 year	630,995,730	
More than 2 years	62,211,334	
More than 3 years	299,385,695	992,592,759
Total		**3,672,099,517**

5.7. As presented in the table, P992.593 million or 27.03 per cent of the total balance of Due from NGOs/POs account has been outstanding for over 12 months. This clearly indicates that there are delays in the completion of the projects as well as in the liquidation of the subsidy funds released to the ECs.

5.8. The Status of Fund Transfer Report as of December 31, 2023, disclosed that the delay in liquidation of subsidy funds is attributed to the following reasons:

	Reasons for Non-Liquidation	No. of ECs	Amount
1.	Liquidation documents pending evaluation by the ASD	17	595,318,597
2.	Projects not completed within the target implementation date	1	212,376,116
3.	Incomplete liquidation documents, including: a. AFs; b. Certificate of Final Inspection and Acceptance (CFIA); c. Bidding documents (RA No. 9184); d. EC's justification on ASD's evaluation; and e. Other supporting documents pertinent to liquidation	10	110,614,444
4.	Unutilized subsidy funds existing for over 3 years that have not been returned to NEA*	3	45,345,263
5.	Projects awaiting approval of EC's request for reconsideration on the acquisition of materials and inspection by TEREDD/DRRMD	2	28,938,339
Total			**992,592,759**

* Pertains to the unused/undisbursed subsidy funds received by various ECs and not yet recorded in the books.

5.9. Inquiry with the DRRMD personnel disclosed the following:

a. The delay ranging from two to four years in completing the projects for LASURECO with a project cost of P212.376 million, were attributed to incomplete National Housing Authority's (NHA) shelters, National Grid Corporation of the Philippines's (NGCP) approval of energization, and EC's request for realignment of the project.

b. The unreturned and unutilized subsidy funds amounting to P45.345 million pertain to the following: (1) Maguindanao Electric Cooperative, Inc. (MAGELCO) with an outstanding balance of P16.344 million. Of this amount, P8.810 million has been outstanding for 14 years and is currently frozen by the Anti-Money Laundering Council (AMLC), while the remaining P7.534 million has been outstanding for two to 12 years; (2) LASURECO's balance amounting to P0.703 million has been outstanding for two to four years; and (3) the remaining P28.298 million, outstanding for four to nine years, is attributed to the financial incapacity of Tawi-Tawi Electric Cooperative, Inc. (TAWELCO) to immediately return the amount.

c. The lack of personnel in the ASD to evaluate the voluminous liquidation documents submitted by ECs contributed to the continuous ballooning of unliquidated subsidy fund, amounting to P595.319 million.

5.10. Examination of the SLs showed that as of March 31, 2024, P184.943 million was liquidated. Thus, the remaining unliquidated and unreturned subsidy fund amounted to P802.650 million, presented as follows:

	Reasons for Non-Liquidation	**Balance as of 12/31/2023**	**Liquidation/ Adjustment**	**Balance as of 03/31/2024**
1.	Liquidation documents pending valuation by the ASD	595,318,597	105,629,483	489,689,114
2.	Projects not completed within the target implementation date	212,376,116	0	212,376,116
3.	Incomplete liquidation documents, including: a. AFs; b. CFIA; c. Bidding documents (RA No. 9184); d. EC's justification on ASD's evaluation; and e. Other supporting documents pertinent to liquidation	110,614,444	60,702,440	49,912,004
4.	Unutilized subsidy funds existing for over 3 years that have not been returned to NEA	45,345,263	545,381	44,799,882
5.	Projects awaiting approval of EC's request for reconsideration on the acquisition of materials and inspection by TEREDD/DRRMD	28,938,338	23,065,359	5,872,979
Total		**992,592,758**	**189,942,663**	**802,650,095**

5.11. This substantial unliquidated balance, which has not been completed and evaluated/inspected within the specified timeline, indicates that NEA did not effectively enforce Item Nos. 3, 4, 6, and 7 of the MOA agreed upon by NEA and ECs.

5.12. **We recommended and Management agreed to take the following actions:**

a. Instruct the Disaster Risk Reduction and Management Department (DRRMD), Total Electrification and Renewable Development Department (TEREDD), and Accounts Servicing Division (ASD) to promptly evaluate EC's request for reconsideration, inspect and evaluate completed projects, and expedite the processing and evaluation of liquidation documents for subsidy funds totaling P495.562 million (from Item Nos. 1 and 5 in the table under paragraph 5.10);

b. **Direct the TEREDD/DRRMD to rigorously monitor and recommend remedial actions to concerned Electric Cooperatives (ECs) for unfinished projects totaling P212.376 million that have exceeded the required implementation and completion dates;**

c. **Require the ASD to instruct the concerned ECs to liquidate the P49.912 million subsidy funds already overdue for liquidation by submitting all necessary documents, including the Certificate of Final Inspection and Acceptance (CFIAs), Accounting of Funds (AFs) together with its supporting documents and justifications; and**

d. **Direct the concerned ECs to return and monitor unutilized subsidy funds for more than 3 years amounting to P44.800 million.**

5.13. Management commented that ASD/AMGD has already evaluated the liquidation documents with an amount totaling P96.959 million or 15.53 per cent, thus leaving a balance of P527.298 million as of February 20, 2024. Further, ASD/AMGD is in coordination with TEREDD/DRRMD for the preparation of an updated report on the Status of Project Implementation and Timeline of Completion including a report for LASURECO's Marawi Recovery, Rehabilitation and Reconstruction Program (MRRRP). Accordingly, the Technical Service Sector is regularly monitoring the implementation of EC projects. Management further commented that they will ensure that subsidy funds released to ECs are evaluated and liquidated as soon as possible, such as sending letters to the concerned ECs to return unutilized subsidy funds, and submit additional supporting documents for liquidation, or requiring selected ECs to issue PDCs.

Auditor's Rejoinder

5.14. We appreciate the continuous effort of the Management to ensure that ECs comply with the audit recommendations. However, NEA must strengthen further their efforts to ensure that all subsidy funds released to ECs are timely liquidated upon completion of the project, to avoid delays in the liquidation of said fund and the closing out of the account in the ECs' books. Further, Management, particularly the TEREDD, should closely and strictly monitor the implementation of the projects to ensure that it is implemented and completed within the timeline provided under the MOA, and take immediate appropriate action, where necessary.

Input Value Added Tax

6. Inclusion of Input Value Added Tax (VAT) totaling P408.245 million to the total cost of projects funded by the NG and implemented by the ECs through the NEA is improper, as the same is used to reduce the output VAT payable to the BIR by the ECs, contrary to Section 110 of the National Internal Revenue Code (NIRC), resulting in excess subsidy funds of P408.245 million that could have been utilized in other electrification projects of NEA.

6.1. This is a reiteration of previous years' audit observations embodied in the CYs 2016, 2017, and 2022 Annual Audit Reports (AARs) on the NEA.

6.2. Sections 105, 106, and 110 of the NIRC of 1997 define VAT in Sections 105 and 106, as amended by Republic Act (RA) No. 10963 or Tax Reform for Acceleration and Inclusion (TRAIN) Law:

a. Section 105 defines VAT as an **indirect tax** that can be shifted or passed on to the buyer, transferee, or lessee of goods, properties, or services. This applies to existing contracts at the time of the effectivity of Republic Act No. 7716.

b. Section 106 specifies that a VAT equivalent to twelve per cent (12%) of the gross selling price or gross value of goods or properties sold, bartered, or exchanged shall be collected from the seller or transferor.

c. Section 110 of the NIRC states that any input tax that is proven by a valid VAT invoice or official receipt issued under Section 113 can be used to offset the output VAT. This applies to various transactions, including cases where the input tax is greater than the output tax, in which the excess can be carried over the next quarter, while if the Output VAT is greater than the input tax, the excess must be paid by the VAT-registered person at the end of the taxable quarter.

6.3. NEA Memorandum No. 2015-036 provides the General Guidelines for the preparation of AFs and identifies the allowable charges against contingency funds for subsidy-funded projects. Item 4 of the guidelines states that *for projects undertaken by contract, no input tax is added since the contractor's billing is VAT-inclusive*. However, *for projects undertaken by force account/administration, input tax is added to the materials* while the *cost of labor has no input tax.*

6.4. Based on the aforementioned Memorandum and its attached AF Templates, the ECs are required to account for the amount received from NEA and its related disbursements incurred on the implementation of the projects, which includes the amount of Input VAT for the materials. The ECs should only charge all disbursements directly attributed to the implementation of the projects against the subsidy fund.

6.5. Based on the audited ECs' submitted liquidation documents including but not limited to AFs and JEVs, the total input taxes charged against the subsidy funds was P408.245 million from CYs 2016 to 2023, broken down as follows:

Particulars	Balance as of 12/31/2023	Returned to NEA	Adjusted Balance as of 12/31/2023
a. 2023 Audit	205,913,791	5,379,052	200,534,739
b. 2022, 2017 and 2016 ML	118,876,762	0	118,876,762
c. 2022, 2017 and 2016 Samples	78,464,802	0	78,464,802
Subtotal	**403,255,355**	**5,379,052**	**397,876,303**
d. 2023 Samples	10,941,581	572,412	10,369,169
Total	**414,196,936**	**5,951,464**	**408,245,472**

6.6. In CY 2023, six ECs were audited namely, Cebu II Electric Cooperative, Inc. (CEBECO II), Cebu III Electric Cooperative, Inc. (CEBECO III), Ilocos Sur Electric Cooperative, Inc. (ISECO), Leyte IV Electric Cooperative, Inc. (LEYECO IV), Sultan Kudarat Electric Cooperative, Inc. (SUKELCO), and Agusan del Sur Cooperative, Inc. (ASELCO). Out of the reported non-allowable charges amounting to P213.115 million, P205.914 million pertains to Input VAT which was charged against the subsidy funds released to said ECs and was reported in the submitted AFs.

6.7. As previously mentioned, the inclusion of Input VAT in the AF was already raised in the prior years' audit observations. In CY 2022 audit, the total Input Taxes of P149.308 million on the 185 implemented projects was included as part of the project cost by 39 ECs upon liquidation. The total Input VAT of P149.308 million as of December 31, 2022 was reduced to P118.877 million after adjustment and return to NEA the amount of P30.431 million in 2023.

6.8. In addition, the Audit Team gathered a sample population on liquidations of the projects that presented the Input VAT as a separate line item in the audited AF during CYs 2016, 2017, and 2022 amounting to P78.465 million. However, AFs that do not present Input VAT as a separate line item were not included in the population because they cannot be verified due to absence of other supporting documents.

6.9. Moreover, for CY 2023, only liquidated subsidy-funded projects from January to July 2023 were validated. The total Input Tax included in the AFs of nine projects implemented by eight ECs amounted to P10.942 million, detailed as follows:

Name of EC	Project Name/Source Fund	Amount of Input tax
ISELCO I	Housewiring (Realignment) of 34 sitios-2017 SEP	85,797
ROMELCO	Typhoon Quinta - 2021 ECERF	165,719
CASURECO IV	Typhoon Tisoy - 2020 QRF	406,692
SIARELCO	Typhoon Odette - 2022 ECERF	1,489,063
MOELCI II	Housewiring of 7 sitios - 2021 SEP	119,057
CENPELCO	Housewiring of 22 sitios - 2021 SEP	20,395
DASURECO	Distribution line to 37 sitios - 2011 to 2016 Subsidy Savings	3,951,645
DASURECO	Housewiring of 37 sitios - 2011 to 2016 Subsidy Savings	732,040
ORMECO	Typhoon Quinta - 2021 ECERF	3,971,173
Total		**10,941,581**

6.10. The ECs adhered only to NEA Memorandum No. 2015-036 to include the Input VAT in their AFs and charged it against the subsidy funds received. However, this practice is inconsistent with Section 110 of the NIRC, which permits the offsetting of Input Tax against the Output Tax. Thus, charging Input VAT in the AF is improper as ECs have already claimed it as a credit or deduction from their Output Tax.

6.11. In addition, the Input Tax does not qualify for any of the elements of the cost as enumerated in Paragraph 30 (a) of IPSAS 17 on PPE where the non-refundable purchase taxes are included. Since the cash outflows from it have been recovered or have been refunded already when the Input Tax was offset against the Output Tax. As a result, Donated Capital and PPE accounts that will be reverted to NEA after the dissolution and escheat proceedings are overstated due to the inclusion of Input Tax.

6.12. NEA requested a ruling or opinion from the Bureau of Internal Revenue (BIR) on various letters from May 4, 2018 to August 16, 2023 on the proper treatment of the Input Tax of ECs concerning the liquidation of subsidy-funded projects. They also requested clarification on whether the ECs are mandated to offset the Input Tax against the Output Tax, as mentioned in Section 110 of the NIRC. To date, NEA was informed that the subject matter was submitted to the BIR's Office of the Commissioner for review and approval. However, NEA has not yet received any written response from the BIR.

6.13. Similarly, in the AARs for the CYs 2016, 2017, and 2022, the Audit Team recommended that NEA should revisit NEA Memorandum No. 2015-036 and consider removing the provision that includes Input Tax as part of the cost of the project. However, to date, the said NEA Memorandum No. 2015-036 is not yet revised or updated.

6.14. **We reiterated our recommendation that Management:**

a. Instruct the concerned Electric Cooperatives to return immediately to NEA the Input VAT totaling P408.245 million charged in the AFs; and

b. Revisit NEA Memorandum No. 2015-036 and consider removing the provision that includes the addition of Input Tax to the materials for projects implemented by force account/administration.

6.15. Management commented that demand letters were sent to concerned ECs to return the Input VAT charged in the AFs. To date, NEA is still waiting for BIR's Ruling and/or Opinion on the proper treatment of the Input VAT of ECs concerning the liquidation of subsidy-funded projects to align with the proposed revision of the NEA Memorandum No. 2015-036. Further, initial meetings with concerned departments at NEA and consultations with stakeholders were conducted by NEA to gather inputs for the possible revision of NEA Memorandum No. 2015-036 based on the BIR's ruling/and or opinion.

Auditor's Rejoinder

6.16. We acknowledge the effort of the Management to ensure that ECs comply with the audit recommendations. However, while waiting for the BIR's rulings and/or opinion on the proper treatment of the Input VAT of ECs concerning the liquidation of subsidy-funded projects, and possible revision of NEA Memorandum No. 2015-036, Management should require the concerned ECs to immediately return the Input VAT to NEA should the former fail to submit documents such as applicable BIR forms and EC's Audited Financial Statements, that will support their claims that they did not obtain double benefits from Input VAT.

Unremitted Contributions

7. The BIR, GSIS, Pag-IBIG, and PhilHealth contributions aggregating P7.450 million remain unremitted as of December 31, 2023, contrary to Item A of Section 80 of the National Internal Revenue Code (NIRC) of 1997, Section 6 of Republic Act (RA) No. 8291, Section 23(a) of RA No. 9676; and Item b, Section 18 of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013.

7.1. Item A of Section 80 of the NIRC of 1997 provides the liability for tax by employers, to wit:

> ***(A) Employer*** - *The employer shall be liable for the withholding and remittance of the correct amount of tax required to be deducted and withheld under this Chapter (Chapter XIII -Withholding on Wages). If the employer fails to withhold and remit the correct amount of tax as required to be withheld under the provision of this Chapter, such tax shall be collected from the employer together with the penalties or additions to the tax otherwise applicable in respect to such failure to withhold and remit.*

7.2. Section 6 on *Collection and Remittance of Contributions of* RA No. 8291 or the Revised Government Service Insurance Act of 1997 provides that:

> *a) The employer shall report to the GSIS the names of all its employees, their corresponding employment status, positions, salaries, and such other pertinent information, including subsequent changes therein, if any, may be required by the GSIS; <u>the employer shall deduct each month from the monthly salary or compensation of each employee the contribution payable</u> by him in accordance with the schedule prescribed in the rules and regulation implementing this Act* (emphasis supplied).
>
> *b) Each <u>employer shall remit directly to the GSIS the employees' contributions within the first ten (10) days of the calendar month following the month to which the contributions apply</u>. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except the salaries and wages of its employees* (emphasis supplied).

7.3. Section 23(a) of RA No. 9676 or the Home Development Mutual Fund Law of 2009 provides that:

> *It shall be the <u>duty of every employer</u>, private or public, <u>to set aside and remit the contributions</u> required under this Act in accordance with the mechanism determined by the Board of Trustees* (emphasis supplied).

7.4. Item b of Section 18 of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013 (RA No. 7875 as amended by RA No. 9241 and 10606) states that:

> *The monthly premium contribution of employed members shall be remitted by the employer on or before the date prescribed by the Corporation.*

7.5. Audit disclosed that of the amount withheld from the salaries of NEA employees and those withheld from the purchases of goods and services from suppliers, contractors, consultants, etc., as of December 31, 2023, NEA remitted a total of P10.360 million to the BIR, GSIS, Pag-IBIG, and PhilHealth in January 2024.

7.6. In addition, there were adjustments posted in the subject accounts in January and February 2024 due to salary differential caused by the implementation of the new CPCS salary step adjustment and refund of HDMF-MPL of an employee. As a result, the ending balances of the accounts were adjusted as follows:

Account	Before Remittances and Adjustments	Remittances	Adjustments (Net)	Amount
	a	b	c	d = a - b + c
Due to BIR	6,798,937	6,413,494	0	385,443
Due to GSIS	9,823,074	3,221,963	110,294	6,711,405
Due to PAG-IBIG	506,043	416,763	(17,791)	71,489
Due to PhilHealth	583,300	307,883	6,727	282,144
Total	**17,711,354**	**10,360,103**	**99,230**	**7,450,481**

7.7. As shown in the table above, P7.450 million withheld from NEA employees' salaries and those from purchases of goods and services in prior years and the current year remained unremitted even after deducting the remittances in January 2024 and other adjustments.

7.8. Moreover, the GSIS confirmed that as of December 31, 2023, the outstanding balance of NEA is P11.234 million per Confirmation No. AP-2024-13 dated March 18, 2024. Hence, there is a variance of P1.411 million as compared to the balance recorded in NEA's books as of December 31, 2023, amounting to P9.823 million.

7.9. The deficiencies are attributed to the inadequate accounting control procedures in verifying, listing, and reconciling the amount withheld from the salaries of NEA employees and purchases of goods and services and the remittance to the concerned government agencies.

7.10. **We recommended and Management agreed to require the Corporate Resources and Financial Services to remit all the amounts due to the BIR, GSIS, Pag-IBIG, and PhilHealth, or refund employees of any excess of withheld contribution.**

Forms, Registries and Reports

8. Various Forms, Registries, and Reports necessary in monitoring receipt and issuance of semi-expendable properties were not maintained contrary to Item No. 4.7 of COA Circular No. 2022-004 dated May 31, 2022, thereby exposing NEA to higher risk against loss and wastage through irregular usage.

8.1. Item No. 4.7 of COA Circular No. 2022-004 dated May 31, 2022, enumerated the forms, registries, and reports to be used to strengthen controls over the semi-expendable property, as listed below:

- 4.7.1 (Annex A.1) Semi-Expendable Property Card (SPC)
- 4.7.2 (Annex A.2) Semi-Expendable Property Ledger Card (SPLC)
- 4.7.3 (Annex A.3) Inventory Custodian Slip (ICS)
- 4.7.4 (Annex A.4) Registry of Semi-Expendable Property Issued (RegSPI)
- 4.7.5 (Annex A.5) Inventory Transfer Report (ITR)
- 4.7.6 (Annex A.6) Receipt and Returned Semi-Expendable Property (RRSP)
- 4.7.7 (Annex A.7) Report of Semi-Expendable Property Issued (RSPI)
- 4.7.8 (Annex A.8) Report on the Physical Count of Semi-Expendable Property (RPCSP)
- 4.7.9 (Annex A.9) Report of Lost, Stolen, Damaged, Destroyed Semi-Expendable Property (RLSDDSP)

8.2. Audit of Semi-Expendable Properties disclosed that the GSD Property Officer does not maintain the following forms in monitoring the Semi-Expendable Properties:

- Semi-Expendable Property Card (SPC);
- Registry of Semi-Expendable Property Issued (RegSPI);
- Receipt and Returned Semi-Expendable Property (RRSP);
- Report of Semi-Expendable Property Issued (RSPI);
- Report on the Physical Count of Semi-Expendable Property (RPCSP); and
- Report of Lost, Stolen, Damaged, Destroyed Semi-Expendable Property (RLSDDSP).

8.3. Likewise, the FSAD does not maintain the Semi-Expendable Property Ledger Card (SPLC).

8.4. Sound asset management dictates that preparation/maintenance of the above forms strengthens the controls in the monitoring of the Semi-Expendable Properties and determination of the accountabilities thereof, especially since the said property items are not reflected in the books.

8.5. The deficiencies noted are attributed to the following:

a. The GSD and the FSAD were not updated with the latest relevant laws, rules, and regulations on the Semi-Expendable Properties;

b. Non-preparation of a well-defined property management plan and clear written instructions to help maintain effective control of Semi-Expendable Properties;

c. Inadequacy of internal control procedures and processes for requisitions, deliveries, and issuances processes of Semi-Expendable Properties; and

d. NEA has been operating without the benefit of the updated Property Management Operational Manual.

8.6. The non-maintenance of the prescribed Forms, Registries, and Reports contravened Item No. 4.7 of COA Circular No. 2022-004 dated May 31, 2022, thereby exposing the NEA to higher risk against loss and wastage through irregular usage.

8.7. **We recommended and Management agreed to require the General Services Division and Financial Services and Accounting Division through the Corporate Resources and Financial Services to prepare and maintain the required Forms, Registries, and Reports as required in COA Circular No. 2022-004 to help maintain effective control of the Semi-Expendable Properties.**

8.8. Management commented that the GSD will prepare the internal guidelines, control policies, and procedures taking into consideration the current relevant circulars, and regularly update them to conform with future circular issuances affecting PPEs and other tangible assets.

Inventory and Inspection Report of Unserviceable Property (IIRUP) and Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP)

9. Non-preparation of IIRUP and IIRUSP for unserviceable PPE items with an estimated cost of P3.283 million and various Semi-Expendable Properties costing P2.089 million already issued and closed in the Accumulated Surplus account; the non-conduct of inspection and inventory; and improper handling thereof, exposes the assets to risks of loss through improper disposition, further deterioration of its salvage value, and incurs delays in the disposal.

9.1. Item 6.3.1.h of COA Circular No. 2020-006 dated January 31, 2020, provides that:

> *The Property Unit shall prepare Inventory and Inspection Report of Unserviceable Property (IIRUP) using the format prescribed under the Accounting Manuals of the respective Sectors for all PPEs found unserviceable, obsolete and/or no longer needed.*

9.2. In addition, Item 4.7.10 of COA Circular No. 2022-004 dated May 31, 2022, prescribed the preparation of Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP) as among the forms to be used to strengthen controls over the Semi-Expendable Property, to wit:

> *Annex A.10 - Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP)*
>
> *This report shall be used to account for all unserviceable semi-expendable property of an entity which is subject to disposal. It shall be prepared by the Property and/or Supply Division/Unit.*

9.3. As of December 31, 2023, Other Non-Current Assets account with a balance of P12.809 million includes Other Assets – Others account representing the cost of unserviceable assets or assets for disposal with a net carrying amount of P3.283 million.

9.4. In addition, various Semi-Expendable Properties which were previously issued costing P2.089 million were also kept in various NEA storage areas. The cost of the said properties was previously recorded under the Other Assets-Others account. It was then reclassified to the Accumulated Surplus account on February 28, 2023, in compliance with Section 23 of the General Provisions of Republic Act No. 11639, also known as the General Appropriation Act for FY 2022 and Item 4.1 of COA Circular No. 2022-004.

9.5. Audit of the unserviceable PPE and Semi-Expendable Properties disclosed the following observations:

a. Non-preparation of IIRUP and IIRUSP

a.1. The preparation of IIRUP and IIRUSP provides the information on the unserviceable properties/assets for disposal inspected and inventoried by the Property Officer.

a.2. The cost of unserviceable PPE items and the unserviceable Semi-Expendable Properties for disposal were not supported with the corresponding IIRUP and IIRUSP, respectively, upon reclassification of the said assets to Other Assets – Others and Accumulated Surplus accounts. Only the list of items, bearing the property number, description of the property, acquisition cost, accumulated depreciation, and net book value were prepared.

b. Non-conduct of inspection and inventory of all unserviceable properties

b.1. No inventory taking was conducted on the assets for disposal as of year-end, thus, the existence of the PPE items and Semi-Expendable Properties for disposal with a net carrying amount of P3.283 million and P2.089 million, respectively, as of December 31, 2023, cannot be verified.

b.2. The non-conduct of inspection and inventory of all unserviceable properties for disposal subsequently caused the non-preparation of the corresponding IIRUP and IIRUSP.

c. Absence of a Plan for disposal of unserviceable assets

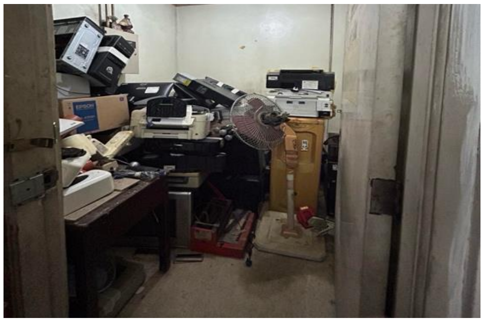
c.1. There was no evidence of a Plan to dispose the identified unserviceable assets. The presence of a Plan of the organization and coordinated methods and measures adopted within the NEA in safeguarding its assets is one of the characteristics of a sound internal control over property management system.

9.6. Moreover, ocular inspection of the unserviceable assets revealed the following:

a. Most of the assets have apparent deterioration in their physical condition and status as shown in the photo below:

b. The conditions of the unserviceable assets were further deteriorated due to prolonged exposure to natural elements as can be seen in the following photograph:

c. Unserviceable properties remained idle in the storeroom waiting for disposal as can be seen in the following photographs:



9.7. The deficiencies noted were due to the following:

a. The Property Officer concerned did not prepare the IIRUP and IIRUSP for submission to the Disposal Committee for appropriate action;

b. No sound methodical system in the conduct of the physical count; and

c. NEA did not have written policy and guidelines for the disposal of unserviceable properties.

9.8. The non-preparation of the IIRUP and IIRUSP and improper handling of unserviceable properties expose the assets to risks of loss through improper disposition, further deterioration of its salvage value, and incurring delays in the disposal, thus, depriving the NEA of additional income from the sale of the subject properties while restricting management on the use of stockroom and giving unwarranted burden in the safekeeping thereof.

9.9. **We recommended and Management agreed to require the General Services Division through the Corporate Resources and Financial Services to:**

a. Comply with the pertinent provisions of COA Circular Nos. 2020-006 and 2022-004 dated January 31, 2020 and May 31, 2022, respectively, on the preparation of IIRUP and IIRUSP and physical inventory plan to facilitate the conduct of inspection and inventory of the unserviceable assets; and

b. Direct the Disposal Committee to expedite the disposal of equipment, furniture, and fixtures identified to be obsolete, unserviceable, and beyond economic repair using an appropriate mode of disposal, to avoid further deterioration, earn income from their sale, if warranted, and make use of the storage spaces occupied by these items.

9.10. Management commented the following:

a. The GSD acknowledged the need to prepare IIRUP for unserviceable PPEs as stated in Circular No. 2020-006 dated January 31, 2020. Inventory of these items was included in the physical inventory of all PPEs conducted last December 2023, except for five units of Test Van located in various ECs.

b. GSD will also conduct an inventory of semi-expendable properties pursuant to COA Circular No. 2022-004 dated February 28, 2022. Concerning the physical inventory, a plan will be prepared showing the schedule of activities to be done thereto which will be in the 2nd quarter of 2024 and output hereto will include IIRUSP.

c. The GSD will adopt the COA and DBM Joint Circular No. 2024-1, *Revised Manual on the Disposal of Government Properties*.

d. In consideration of the limited resources, the GSD will do frequent but staggered inspections and evaluations to fast-track the inclusion of the subject unserviceable PPE and Semi-Expendable Properties.

Uncompleted Contract

10. The uncompleted contract for the Installation, Configuration, and Set-up of the NEA Data Privacy System costing P0.826 million was not issued with a corresponding suspension order or a written agreement for any extension, contrary to the provision of the perfected contract and paragraph 2.1 of Annex D of the Republic Act (RA) No. 9184, thus, depriving the agency of the benefits that may be derived from the said contract.

10.1. Paragraph 2.1 of Annex D of the Updated 2016 Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, provides that:

> *The procuring entity <u>may suspend the work wholly or partly by written order for a certain period of time</u>, as it deems necessary due to force majeure or any fortuitous events as defined in the contract. (underscoring supplied)*

10.2. Moreover, the Generic Procurement Manuals Volume 2-Procurement of Goods and Services provides for the steps in the issuance of suspension order, to wit:

> *1. The PMO or end-user unit or implementing unit determines the existence of a force majeure or fortuitous event that will be the basis for the issuance of a suspension order.*
>
> *2. Based upon the findings and recommendation of the PMO or end-user, the HoPE issues a written order suspending the order or work, wholly or partly, for a certain period of time. xxx*

10.3. NEA entered into a contract with a supplier for the supply of services in the installation, configuration, and set-up of the NEA Data Privacy System for data protection involving encryption and security of internal data with a total contract price of P0.826 million. The contract was notarized on February 3, 2020.

10.4. The Contract between NEA and the supplier provides that NEA Management is responsible for ensuring that a written agreement will be executed and signed by both parties if the project exceeds the time frame agreed in the finalized schedule for reasons not solely attributable to the Contractor.

10.5. Review of the contract revealed the following:

a. The execution of the contract has remained incomplete as of audit date;

b. The contract was signed without the specified date of execution;

c. The terms of the contract disclosed that it shall be completed within 90 days after the signing of the contract. Hence, the target estimated completion date of the contract is May 3, 2020, using the date when the contract was notarized;

d. No proper documentation of activities to be performed has been made;

e. The last update/transaction for the said contract was the submission of the contractor of the Project Gantt Chart/Schedule with activities and timeline/final proposal, of which NEA paid 30 per cent of the contract amount or equivalent to P247,703.70;

f. The focal person from the NEA-Information Technology and Systems Development Division (ITSDD) retired last July 30, 2022; and

g. No further information for subsequent events was available.

10.6. Inquiry with the Management revealed the following:

a. The implementation of the contract was halted due to the lockdown brought about by COVID-19;

b. The coordination between the previous Division Manager of NEA- ITSDD and a representative of the contractor was made through a series of email exchanges from June 8 to 12, 2020;

c. In the said email thread, NEA requested the contractor to send a revised schedule of activities under the new normal set-up, which the latter has submitted;

d. The former ITSDD Manager informed the contractor that coordination with the concerned NEA offices, particularly on the availability of external physical storage of a minimum of 1TB HD per department needed in the encryption activity, be made first to the proposed schedule, and the latter be notified afterward; and

e. No further information was provided to the Audit Team for subsequent events that took place.

10.7. The deficiencies are attributed to the following:

a. The agency did not monitor the proper execution of the contract;

b. The agency has no written guidelines concerning the communication protocol to be adopted between the concerned office and the contractor;

c. NEA has not utilized the benefit of the status report as to the completion of the approved programs, projects, and activities;

d. NEA has been operating without the benefit of project centralized monitoring and oversight activities;

e. The end-users of the programs, projects, and activities of NEA were not updated with the implementation of the contract; and

f. Turnover on the accountabilities of the then Division Manager of ITSDD was not properly reviewed.

10.8. The non-completion of the contract on the Installation, Configuration, and Set-up of the NEA Data Privacy System amounting to P0.826 million without the issuance of a corresponding suspension order or a written agreement for any extension, is contrary to the provision of the perfected contract and paragraph 2.1 of Annex D of the Updated 2016 RIRR of RA Act No. 9184, thus, NEA is deprived of the benefits that may be derived from the said contract, which is aimed to ensure compliance with the international standard set for data protection through the National Privacy Commission pursuant to Republic Act No. 10173 or Data Privacy Act.

10.9. **We recommended and Management agreed to require the Information Technology and Systems Development Division through the Information Technology and Communication Services Department to:**

a. **Refer the matter to the Legal Department to determine the proper actions to be undertaken in communicating with the contractor; and**

b. **Review the process and assess the functioning of its controls over project monitoring and communication with service providers related to information technology and information systems.**

10.10. Management commented that the review of the aforesaid contract and gathering of the necessary documents and information were done. The matter was referred to the NEA Legal Department on March 19, 2024, requesting for their legal advice on what proper action should be taken by the Management.

EU-ASEP Fund

11. The disbursements for EU-ASEP related transactions amounting to P8.084 million were erroneously charged to the Administrative Fund instead of the EU-ASEP Fund.

11.1. The Notes to Financial Statements disclosed the following:

> *LBP - NEA EU-ASEP pertains to fund provided by the European Union (EU) for the implementation of the Integration of Productive Uses of Renewable Energy for Inclusive and Sustainable Energization in Mindanao (I-Pure Mindanao) project through its Access to Sustainable Energy Programme (ASEP). This fund is considered as Trust Liabilities by the NEA and can only be withdrawn and disbursed for the project's implementation.*

11.2. As of December 31, 2023, Cash and Cash Equivalents account includes the amount of P3.636 billion deposited in NEA's depository banks, as follows:

Purpose of the Fund	Balance as of December 31, 2023
Payroll Fund 1	40,489,190
Administrative Fund	15,679,885
Electrification Fund	20,058,858

Purpose of the Fund	Balance as of December 31, 2023
RE Construction Fund	594,567,581
Terminal Leave Benefits (TLB) Fund	73,256
Special Savings Deposit (SSD) TLB Fund	59,375,368
SSD 03	101,586,415
Energization Fund	42,694,015
EU-ASEP	34,824,366
Mobilization Fund	1,530,080
Modular Fund	228,163,303
Total Electrification Fund	168,180,237
Construction and Administrative Fund	430,159,972
High Yield Savings Account 01/Modular	303,373,393
Single Digit System Loss Program	16,157,620
Payroll Fund 2	37,068
Barangay Electrification Fund	1,498,259,951
SSD 02	80,872,623
Total	**3,636,083,181**

11.3. The disbursements for EU-ASEP related transactions were erroneously charged to the Administrative Fund.

11.4. On May 11, 2021, NEA received a trust fund in the amount of P180.704 million from the EU specifically for the implementation of the I-PURE Mindanao Project.

11.5. As of December 31, 2023, the balance of the trust fund amounted to P34.824 million. However, some disbursements amounting to P276,489 pertaining to the project, such as travel expenses and meals and snacks for meetings conducted, were charged to the Administrative fund instead of EU-ASEP Fund.

11.6. Likewise, the remittances for taxes withheld from the EU-ASEP related disbursement in the amount of P7.808 million were not charged to the trust fund. Rather, the withheld taxes were included among those taxes remitted and paid through the Administrative Fund.

11.7. **We recommended and Management agreed to direct the Treasury Division through the Corporate Resources and Financial Services to transfer fund totaling P8.084 million from the EU-ASEP Fund to Administrative Fund for the EU-ASEP related disbursements erroneously charged to the latter.**

C. Gender and Development

12. Various gaps in the planning, implementation, and monitoring of NEA's GAD programs, projects, and activities (PAPs) as evidenced by the: a) non-endorsement of its GAD Plan and Budget (GPB) for CY 2023 by the Philippine Commission on Women (PCW); b) non-incorporation in the GPB of the activities in the GAD Agenda; c) modifications on the activities reflected in the GAD Accomplishment Report (AR) as against the GPB; and d) submitted GAD AR was not supported with a schedule of expenses and supporting documents, are

not in compliance with the various PCW and COA issuances, thus, hindered the effective adoption of gender mainstreaming program as mandated by Republic Act No. 9710.

12.1. Item 6.3 of PCW Memorandum Circular No. 2018-04 dated September 19, 2018, provides that:

> *In the formulation of the agency's annual GAD Plan and Budget, the entries in the GAD agenda such as the, gender issue, GAD outcome, indicator, target, activities, and budget for the specified year shall be reflected in the annual GPB.*

12.2. PCW Memorandum Circular No. 2022-03 dated August 31, 2022, on the *Preparation and Online Submission of Fiscal Year (FY) 2023 Gender and Development (GAD) Plans and Budgets,* provides the following provisions:

> *1.2.2.2.3. Copies of the results of assessment using the appropriate HGDG design checklist and relevant supporting documents or means of verification (MOVs) such as the project design, concept note, or attendance sheets of stakeholder consultations, among others, shall be attached to the agency's GPB submission. Supporting documents or MOVs should be signed by the project/program head or by the Chairperson of the GAD Focal Point System Technical Working Group.*
>
> *1.2.5.2. PCW shall endorse the FY 2023 GPB if: (1) the minimum 5% GAD Budget requirement has been met, and (2) the entries in the GPB are compliant with the comments and/or recommendations of PCW following the provisions of the MCW and relevant guidelines on GAD Planning and Budgeting;*
>
> *1.2.5.2. In case the GPB is not endorsed by PCW after its review due to partial/non-compliance with the conditions provided in Section 1.2.5.1, the agency may request for reconsideration to resubmit its GPB for review up to two times only. If there are still deficiencies after these two rounds of review, the GPB will be deemed unendorsed.*

12.3. Items 10.1 and 10.4 of the PCW-NEDA-DBM Joint Circular No. 2012-001 provides that:

> *Attached agencies, bureaus, regional offices, constituent units and all others concerned shall submit their GAD ARs to their central offices. The agency GFPS shall prepare the annual GAD AR based on the PCW-endorsed GPB or the GPB adjusted to the approved GAA following the form prescribed in Annex B. Activities completed until the end of the year may be included in the final GAD AR of agency submitted to PCW in January.*
>
> *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.

12.4. Under Section 36 of Republic Act No. 9710 or the Magna Carta for Women (MCW), the Commission on Audit (COA) shall conduct an annual audit on the use of the GAD budget to determine its judicious use and the efficiency, and effectiveness of interventions in addressing gender issues towards the realization of the objectives of the country's commitments, plans, and policies on women empowerment, gender equality, and GAD.

12.5. For CY 2023, NEA allocated GAD Budget amounting to P281.081 million.

12.6. Result of audit on the compliance of NEA's planning, execution, and monitoring of GAD programs, projects, and activities in CY 2023 disclosed the following:

a. GPB was not PCW-endorsed

a.1. The GPB was not endorsed by the PCW due to the non-action on the part of the NEA GAD Focal Point System (GFPS) on the comments made by a PCW representative on the submitted NEA GPB. In turn, no revised GPB was submitted to the PCW on the deadline of submission thereof.

a.2. It is worth mentioning that the non-endorsement of the GPB entails that the same is not compliant with the provisions of the MCW and relevant guidelines on GAD Planning and Budgeting.

b. Non-incorporation of the programs, activities and projects in the GAD Agenda to the GPB

b.1. The GAD Agenda serves as the framework and guide that defines the interventions, indicators, and targets to be pursued to achieve GAD goals over some time to accelerate gender mainstreaming within the agency. Likewise, it outlines the GAD targets or outcomes into PAPs to assist in the preparation of the annual GPB of the agency.

b.2. Examination of the NEA GAD Agenda for CYs 2021 to 2025, disclosed the following GAD Goals and the corresponding GAD programs, projects, and/or activities to be achieved in CY 2023:

Gender Issue	Corresponding GAD Programs, Activities and/or Projects (PAPs)
Enhanced gender mainstreaming at NEA and ECs that will help achieve gender equality and women empowerment in the energy sector in general and electric cooperatives in particular.	• GAD Summit of EC GFPS • Formation of GAD Core Group National • Printing/Digital publishing of NEA-EC on GAD to serve as documentation and IEC

Gender Issue	Corresponding GAD Programs, Activities and/or Projects (PAPs)
	materials
Increased participation of women in the consultation process, community organizations, and decision-making bodies regarding access and benefits of electricity	• Conduct of updating Sex Disaggregated Data (SDD) and Gender Analysis • Conduct of Mid-Term Assessment based on Updated SDD and Gender Analysis results

b.3. Not all activities in the GAD Agenda for CY 2023 were incorporated in the GAD Plan and Budget for the same year, such as the conduct of the GAD Summit of EC GFPS and the formation of GAD Core Group National. Moreover, the conduct of updating gender analysis and conduct of Mid-Term Assessment based on Updated SDD and Gender Analysis results were also not included.

b.4. The non-incorporation of the PAPs in the GAD Agenda to the GPB defeats the purpose of the formulation of the GAD Agenda and may result in non-achievement of the GAD goals within the timeframe set.

c. Modifications on the activities reflected in the GAD AR as against the GPB

c.1. The GAD AR was submitted to PCW on March 1, 2024. Per email dated April 1, 2024 by the PCW System Administrator, the same document was returned for revision by the NEA GFPS.

c.2. The GAD AR is a tool used to monitor the accomplishments and status of implementations of the GAD PAPs reflected in the GBP. Thus, the PAPs in the GAD AR should tally with those incorporated in the GPB.

c.3. However, our audit disclosed some modifications in the GAD PAPs reflected in the GAD AR as against the GPB, as provided below:

<u>GAD PAPs reflected in the GPB but not in the GAD AR:</u>

- Maintenance of the GAD page and NEA website, creation of GAD tarpaulin released and primers depicting GAD concept, issues, and concerns disseminated and activities that will highlight women’s contribution.

<u>GAD PAPs reflected in the GAD AR but not in the GPB:</u>

- Issuance of policy memo/encouragement to ECs to increase their intake of female engineers and technical workers.

- Conduct survey in ECs in conflict areas BARMM, issuance of memorandum to all ECs to establish the profile of EC women workers previously associated with rebel groups.

- National Women's Day Celebration with Seminar on Women's Health Awareness (Breast and Cervical Cancer) and Stress Management.

12.7. Based on the Audit Team's evaluation, the deficiencies noted are attributable to the following:

a. GFPS is not updated with the latest relevant laws, rules, and regulations on Gender and Development in the planning, implementation, and monitoring of the GAD;

b. Lack of coordination between GFPS and the Accounting Section in preparing the schedule of expenses and its supporting documents to back up the amount of actual expenditures reflected in the GAD AR; and

c. Policies, guidelines, and procedures for the formulation, development, submission, implementation, monitoring, and evaluation of GAD, including the accounting of results of agency annual GPBs and GAD AR, adopting the guidelines outlined in various PCW issuances and circulars were not updated.

12.8. In view of the foregoing, the noted observations if not acted upon by the GFPS may result in the non-attainment of the gender mainstreaming of NEA.

12.9. **We recommended and Management agreed to require the GAD Focal Point System to:**

a. Adhere to the requirements under Item 1.2.5.2 of PCW Memorandum Circular No. 2022-03 dated August 31, 2022 for its GPB to be endorsed by the PCW;

b. Review the GAD Agenda for CYs 2021 to 2025 and ensure timely implementation of the proposed PAPs under Item 6.3 of PCW Memorandum Circular No. 2018-04;

c. Review the GAD AR and ensure that only the PAPs incorporated in the GPB are reflected therein under Item 10.1 of the PCW-NEDA-DBM Joint Circular No. 2012-001; and

d. Submit a copy of the summary of the reported program or project and its corresponding supporting documents and the results of the assessment using the appropriate HGDG checklist and other relevant

supporting documents as means of validation of the GAD-related expenditures reported in the GAD AR under Item 10.1 of the PCW-NEDA-DBM Joint Circular No. 2012-001 and Item 1.2.2.2.3 of the PCW Memorandum Circular No. 2022-03.

12.10. The NEA-GFPS commented the following:

a. The reconstituted GFPS under NEA Office Order No. 2024-085 will discuss the matter to properly address and implement the comments to ensure compliance with the requirements of PCW Memorandum Circular Nos. 2022-03 and 2018-04.

b. The necessary revisions on the GAD AR will be made to reflect the PAPs incorporated in the GPB pursuant to Item No. 10.1 of the PCW-NEDA-DBM Joint Circular No. 2012-001.

c. The summary of the reported programs or projects and their corresponding supporting documents and the result of the assessment using the appropriate HGDH checklist and other relevant supporting documents as means of validation of the GAD-related expenditures reported in the GAD AR will be submitted accordingly.

d. NEA-GFPS will coordinate with the FSAD to create a separate RC to ensure compliance with COA Circular No. 2021-008.

D. Insurance of Property

13. Deficiencies were noted in the insurance of properties, to wit: a) absence of proof of appraisal of the insured properties by either an in-house or independent appraiser; and b) absence of duly accomplished Property Inventory Form (PIF), which is contrary to Section 5.1 of COA Circular No. 2018-002 dated May 31, 2018.

13.1. Section 5.1 of COA Circular No. 2018-002 dated May 31, 2018 enumerates the responsibilities of the head of government agencies, among others on the submission of Property Inventory Form, as follows:

> *b. Prepare the Property Inventory Form (PIF) listing of all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information. Xxx*
>
> *Xxx*
>
> *d. Cause the appraisal of the insurable properties and other assets of their respective offices. For this purpose, an in-house appraisal shall be sufficient if the property or insurable interest has a value of P10 million and below. Otherwise, an independent appraisal shall be necessary.* (emphasis supplied)

13.2. NEA paid on April 5, 2023 the fire and lightning insurance premium amounting to P0.996 million for the coverage of its building and various contents for the period March 10, 2023 to March 10, 2024 to the Government Service Insurance System (GSIS).

13.3. Review of the disbursement voucher (DV) and its supporting documents revealed the following:

a. Absence of proof of appraisal of the insured properties

No proof of appraisal of the insured properties by either an in-house or independent appraiser was attached to the DV. Hence, it can be inferred that the insured properties were not appraised, thus, the basis of assessment of insurance coverage may be understated or overstated.

b. Absence of duly accomplished PIF

No duly accomplished PIF, a listing of all the insurable properties and other assets with the latest appraised values/valuation, appraisal date, location, and other information was attached to the voucher.

13.4. Based on the Audit Team’s evaluation, the deficiencies noted on the payment of insurance premiums to GSIS may be attributable to the following:

a. The GSD and the FSAD were not updated with the latest relevant laws, rules, and regulations on the insurance of properties; and

b. Inadequate control procedures in listing, verifying, and reconciling the value of the property as indicated in the Report of the Physical Count of Plant, Property, and Equipment submitted to GSIS for computation of insurance premiums.

13.5. In view of the foregoing, NEA has not complied with the applicable and existing guidelines, rules, and regulations in appraising the insurable properties and submitting the required PIF.

13.6. **We recommended and Management agreed to direct the Division Managers of Financial Services and Accounting Division and General Services Division through the Corporate Resources and Financial Services to:**

a. Conduct an appraisal on all insurable assets of NEA and submit the corresponding result of appraisal to the Audit Team; and

b. Prepare the Property Inventory Form to support the list of assets insured with GSIS.

E. Compliance with Tax Laws

Taxes withheld on Compensation, Final, and Creditable Expanded Tax in CY 2023 totaling P54.346 million were timely remitted to the BIR.

See related discussion on Audit Observation No. 7.

F. Compliance with GSIS, Pag-IBIG, and PhilHealth Premium/Loan Amortization, Deductions and Remittances

Statutory deductions for GSIS, Pag-IBIG, and PhilHealth amounting to P51,897,430 were withheld from the NEA employees and remitted the total amount of P46,970,170 as of December 31, 2023, except those deducted for December 2023, which were remitted in January 2024, detailed as follows:

Account Name	Amount Withheld	Amount Remitted	Balance as of December 31, 2023
Due to GSIS	43,511,770	38,794,061	4,717,709
Due to Pag-IBIG	4,801,377	4,624,697	176,680
Due to PhilHealth	3,584,283	3,551,412	32,871
Total	**51,897,430**	**46,970,170**	**4,927,260**

See related discussion on Audit Observation No. 7.

G. Status of Audit Suspensions, Disallowances, and Charges

As of December 31, 2023, there were no outstanding Notice of Suspension and Notice of Charge, however, there were audit disallowances totaling P133.468 million that remained unsettled. Details are shown in the table below:

Audit Action	Beginning Balance January 1, 2023	Issued	Settled	Ending Balance December 31, 2023
Suspensions	0	0	0	0
Disallowances	133,727,630	0	260,000	133,467,630
Charges	0	0	0	0
Total	**133,727,630**	**0**	**260,000**	**133,467,630**

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 34 audit recommendations embodied in the prior years' Annual Audit Reports, 22 were implemented, three were closed, and nine were not implemented, four of which were reiterated in Part II of this Report, as shown below:

Reference	Audit Observations	Audit Recommendations	Status/ Action Taken
CY 2022 AAR, Observation No. 1 pages 46 – 47	Funds totaling P3.997 million released by NEA to the Department of Public Works and Highways (DPWH) Sorsogon Engineering District for the Rural Electrification Program of the 1st District of Sorsogon City remained unliquidated for over 14 years, contrary to Sections 4.6 and 5.4 of COA Circular No. 94-013 dated December 13, 1994 and Section 4.a of the Memorandum of Agreement (MOA) between NEA and DPWH Sorsogon Engineering District.	Direct the Accounts Management and Guarantee Department (AMGD) to immediately demand the submission of the final report and liquidation of funds transferred to the DPWH Sorsogon Engineering District totaling P3.997 million.	Implemented
CY 2022 AAR, Observation No. 2 Page 47 - 49	Unserviceable PPE items and semi-expendable properties recorded under the Other Asset account, with carrying costs of P2.488 million and P1.904 million, respectively, remained undisposed contrary to Section 79 of Presidential Decree (PD) No. 1445 and National Budget Circular (NBC) No. 425 resulting in further deterioration of the properties and decrease in value.	a. Require the property unit to prepare Inventory and Inspection Report of Unserviceable Property for the other unserviceable and obsolete PPEs;	Not Implemented Reiterated in Audit Observation No. 9, pages 85 to 88 of this AAR.
		b. Require the Appraisal and Disposal Committee to:	
		i. Inspect and appraise all unserviceable properties in accordance with the guidelines stated in the COA Manual on Appraisal of	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
		Government Properties;	
		ii. Consider revising the appraised value of P0.626 million for the ICT and office equipment to reflect a more reasonable value as outlined in the mentioned COA Manual; and	Implemented
		iii. Dispose all unserviceable properties to prevent further deterioration and decrease in value.	Not Implemented Reiterated in Audit Observation No. 9, pages 85 to 88 of this AAR.
CY 2022 AAR, Observation No. 3 Page 49 - 53	Subsidy funds released to various Electric Cooperatives (ECs) totaling P1.009 billion, already due for liquidation, remained unliquidated as at December 31, 2022 due to NEA's inadequate and weak enforcement of the liquidation provisions on fund transfers outlined in paragraphs 3 and 4 of the Memorandum of Agreement (MOA) between NEA and the ECs.	a. Instruct Accounts Servicing Division (ASD) to require the concerned Electric Cooperatives (ECs) to immediately liquidate the P423.656 million overdue subsidy funds and submit all the required documents, such as Accounting of Fund, Certificate of Final Inspection and Acceptance (CFIA), Bidding Documents (RA No. 9184), along with other supporting documents;	Implemented
		b. Direct ASD to compel the concerned ECs to return the unutilized subsidy funds totaling P56.623 million;	Implemented
		c. Direct Total Electrification and Renewable Energy Development	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
		Department (TEREDD) to closely monitor the implementation of the projects totaling P432.366 million which were not completed within the target date of completion and require the responsible ECs to expedite the liquidation;	
		d. Instruct TEREDD and ASD to inspect and evaluate completed projects and liquidation documents to expedite the liquidation of the subsidy funds totaling P96.114 million; and	Implemented
		e. Direct ASD to validate the expenses charged against the subsidy funds to prevent fund misuse and revisit the Accounts Management and Guarantee Department's procedure manual to incorporate the validation of liquidation documents in line with COA Circular No. 2007-001.	Implemented
CY 2022 AAR, Observation No. 4 pages 53 – 59	The unexpended balance of subsidies amounting to P1.005 billion released to 42 Electric Cooperatives (ECs) from CYs 2013 to 2022 remained not returned/remitted to NEA contrary to paragraph 7 of the MOA between NEA and the ECs. Also, disbursements totaling P25.642 million with	a. Require the 42 Electric Cooperatives (ECs) to immediately return the unexpended balance of subsidies of P1.005 billion to NEA; b. Require 5 ECs audited in CY 2022 to return the amount of P33.094 million representing non-allowable charges from the subsidy fund;	Implemented Implemented

Reference	Audit		Status/ Action Taken
	Observations	**Recommendations**	
	lacking supporting documents and non-allowable charges of P33.094 million were charged against the subsidy fund contrary to NEA Memoranda No. 2013-023 and 2015-036 dated December 9, 2015, as amended by NEA Memorandum No. 2019-042 dated August 1, 2019, and paragraph 2 of MOA, respectively.	c. Require the five ECs audited in CY 2022 to submit the lacking documents to support the disbursements amounting to P25.642 million which were charged against the subsidy fund received, otherwise, require the return of the amount disbursed not supported with documents; and	Implemented
		d. Institute appropriate action/s or suspend the release of subsidy fund to ECs who have failed to comply strictly with the provisions of the MOA.	Implemented
CY 2022 AAR, Observation No. 5 pages 60 - 62	Inclusion of Input Value Added Tax (VAT) totaling P277.390 million in the total project cost funded by the NG's subsidy for projects liquidated and audited in 2016, 2017, and 2022, pursuant to NEA Memorandum No. 2015-036 is improper, given that it cannot be used to reduce the output VAT Payable of the ECs. Thus, resulted in excess subsidy funds given to the ECs.	a. Instruct the concerned ECs to promptly return to NEA the Input VAT amounting to P277.390 million that was charged in the Accounting of Funds; and	Implemented
		b. Revisit NEA Memorandum No. 2015-036 and consider removing the provision that includes input tax as part of the materials for projects undertaken through force account or administration.	Implemented
CY 2022 AAR, Observation No. 6 pages 62 - 64	The NEA GAD Plan and Budget (GPB) includes P898.070 million "Attributed Programs" that have not undergone the proper Harmonized Gender and	a. Require the GAD Focal Point System (GFPS) to attend the capacity building seminar on the use of the HGDG tool to properly attribute NEA's programs in the	Implemented

<table>
<tr><th rowspan="2">Reference</th><th colspan="2">Audit</th><th rowspan="2">Status/
Action Taken</th></tr>
<tr><th>Observations</th><th>Recommendations</th></tr>
<tr><td></td><td>Development Guidelines (HGDG) test, violating Section 1.2.2.2.1 of the Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2021-04 dated August 24, 2021.</td><td>GPB; and

b. Require the GFPS to ensure that the Projects, Activities, and Programs (PAPs) attributed in the Gender Plan and Budget (GPB) undergo a thorough assessment using the HGDG checklist as required by the Philippine Commission on Women (PCW) MC No. 2021-04.</td><td>

Implemented</td></tr>
<tr><td>CY 2022 AAR, Observation No. 7 pages 64 - 65</td><td>The NEA was unable to allocate a required minimum of five percent (5%) of its Corporate Operating Budget (COB) for GAD PAPs Contrary to Section 34 of the FY 2022 GAA, Section 6.1 of PCW-NEDA-DBM JC No. 2012-01.</td><td>Require the Management to allocate at least five percent of its total COB to support GAD plans and programs in line with Section 34 of the GAA and Section 6.1 of the PCW-NEDA-DBM JC No. 2012-01.</td><td>Implemented</td></tr>
<tr><td>CY 2022 AAR, Observation No. 8 pages 65 - 67</td><td>The GBP was not endorsed by the PCW contrary to Sections 1.2.5.1 and 1.2.5.2 of PCW M.C. No. 2021-04</td><td>a. Require the GAD Focal Point System (GFPS) to submit and encode the GPB in the Gender Mainstreaming and Monitoring System (GMMS) within the deadline set by PCW every year; and

b. Establish procedures to ensure a smooth transition between outgoing and incoming officers in the department, preventing disruption in GAD reporting due to administrative changes, considering</td><td>Implemented

Implemented</td></tr>
</table>

Reference	Audit Observations	Audit Recommendations	Status/ Action Taken
		that GAD reporting is an annual activity with predetermined deadlines.	
CY 2022 AAR, Observation No. 10 pages 67 - 70	The amount withheld for the GSIS, Pag-IBIG and PhilHealth contributions totaling P2.129 million, P61,984.13, and P291,230.92, respectively, remained unremitted as of year-end, contrary to Section 6 of Republic Act (RA) No. 8291, Section 23 (a) of RA No. 9676 and Section 18(d) of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013 (RA No. 7875 as amended by RA No. 9241 and 10606).	a. Remit all the amounts due to the GSIS, Pag-IBIG, and PhilHealth, or refund any over-deducted payments or contributions to employees; and b. Remit immediately the amount of P0.600 million withheld from the Deputy Administrator's salary.	Not Implemented Reiterated in Audit Observation No. 7, pages 82 to 83 of this AAR. Not Implemented Reiterated in Audit Observation No. 7, pages 82 to 83 of this AAR.
CY 2020 AAR, Observation No. 4 pages 46 - 50	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. a. 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	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: i. Secure authenticated copy of the nine Declaration of Real Property (DRPs);	 Not implemented. Per NEA Office Order No. 2023-148 dated June 2, 2023, the Core Group for the Acquired and Foreclosed Properties in Quezon City and

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	foreclosed properties; and		Pangasinan was reconstituted. However, Management commented that due it was not implemented due to lack of personnel to do the activities. This had been assigned to the Property Officer however, turn-over of personnel holding the said position is very fast and there was no Property Officer for more than a year. Currently, NEA has only one (1) Property Officer assigned to numerous tasks.
	b. Foreclosed properties acquired in 1967 and 1972 remain untitled.	ii. Conduct inspection to establish the exact locations, total land areas of the said foreclosed properties and update the recorded information; and	Not implemented. Per NEA Office Order No. 2023-148 dated June 2, 2023, the Core Group for the Acquired and Foreclosed Properties in Quezon City and Pangasinan was reconstituted. However, Management commented that it was not implemented due to lack of personnel to do the activities. This had been assigned to the Property Officer however, turnover

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
			of personnel holding the said position is very fast and there was no Property Officer for more than a year. Currently, NEA has only one (1) Property Officer assigned to numerous tasks.
		iii. Hire the service of an accredited property appraiser to assess the foreclosed property and make the corresponding adjustment on the books;	Not implemented. Per NEA Office Order No. 2023-148 dated June 2, 2023, the Core Group for the Acquired and Foreclosed Properties in Quezon City and Pangasinan was reconstituted. However, Management commented that it was not implemented due to lack of personnel to do the activities. This had been assigned to the Property Officer however, turnover of personnel holding the said position is very fast and there was no Property Officer for more than a year. Currently, NEA has only one (1) Property Officer assigned to numerous tasks.

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
		b. Secure the Transfer Certificate of Title (TCT) of the foreclosed properties before considering leasing the property to private corporations to prevent future legal issues from third-party claims over the properties.	Not implemented. Per NEA Office Order No. 2023-148 dated June 2, 2023, the Core Group for the Acquired and Foreclosed Properties in Quezon City and Pangasinan was reconstituted. However, Management commented that it was not implemented due to lack of personnel to do the activities. This had been assigned to the Property Officer however, turnover of personnel holding the said position is very fast and there was no Property Officer for more than a year. Currently, NEA has only one (1) Property Officer assigned to numerous tasks.
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 (CASELCO), Inc. amounting to P25.112 million released in CY 2015 for the implementation of the expansion of lines to 26		

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	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:		
	a. The subsidy fund with an approved project cost of P25.112 million remained unliquidated as of the audit date;	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;	Implemented
	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	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	Implemented.

<table>
<tr><th rowspan="2">Reference</th><th colspan="2">Audit</th><th rowspan="2">Status/
Action Taken</th></tr>
<tr><th>Observations</th><th>Recommendations</th></tr>
<tr><td></td><td>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.</td><td>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.</td><td>Implemented.</td></tr>
<tr><td>CY 2019 AAR, Observation No. 5 pages 47 - 53</td><td>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.</td><td>a. 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;

b. 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;</td><td>Closed

For further assessment for the reason that the COA has no available documents pertaining to the recorded disallowed amounts.

Closed

For further assessment for the reason that the COA has no available documents pertaining to the recorded disallowed amounts.</td></tr>
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Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
		c. Analyze the accounts for adjustment and accounts with negative balances, and make necessary adjustments, where appropriate.	Closed For further assessment for the reason that the COA has no available documents pertaining to the recorded disallowed amounts.
CY 2019 AAR, Observation No. 16 pages 87 - 88	The subsidy releases for the line extension of 14 sitios/barangays from six projects in Sulu Electric Cooperative (SULECO) under the 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.	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 from 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. No reconciliation of subsidy funds for the said period was received as of this report.