



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

ANNUAL AUDIT REPORT

on the

NATIONAL FOOD AUTHORITY (NFA)

For the Years Ended December 31, 2018 and 2017

EXECUTIVE SUMMARY

INTRODUCTION

The National Grains Authority was created under Presidential Decree (PD) No. 4 dated September 26, 1972 and became the National Food Authority (NFA) through PD No. 1770 dated January 14, 1981 with the original mandate to promote the integrated growth and development of the grains industry, to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made and to promote the stabilization of supply and prices of staple cereals both at the farm gate and consumer levels.

Executive Order (EO) No. 1028, dated May 31, 1985, provided further the deregulation in the production and trading of food grains and related agricultural inputs being undertaken by all government agencies, including NFA. The Agency had to relinquish or transfer to another government entity or to the private sector, as appropriate, all its non-grain stabilization and trading activities. Under EO No. 116 dated January 30, 1987, NFA was detached from the Office of the President (OP) and was realigned under the Department of Agriculture (DA) to respond to policy changes with emphasis on private sector participation towards strengthening of a freer, market-oriented enterprise economy and trend towards liberalization, privatization and deregulation.

Pursuant to EO No. 398 dated January 31, 1997, NFA shall also undertake the procurement of sugar when necessary. Furthermore, EO No. 22 issued in September 1998, authorized NFA to include in its scope the marketing operation of other basic food items. On May 5, 2014, EO No. 165 transferred NFA together with the National Irrigation Administration, Philippine Coconut Authority and Fertilizer and Pesticide Authority from DA to the OP, to enhance and coordinate the efforts of these agencies in fulfilling their respective mandates. The oversight responsibilities over these agencies were given to the created Office of Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) of the OP.

Under EO No. 1 dated June 30, 2016 issued by President Rodrigo Roa Duterte, NFA was among the 12 agencies formerly from the OPAFSAM that were reassigned to the Office of the Cabinet Secretary of the OP under EO No. 1 dated June 30, 2016. It is governed by a Council which is chaired by the Cabinet Secretary.

On September 17, 2018, EO No. 62 amended EO No. 1 (S. 2016) and transferred NFA together with Philippine Coconut Authority and Fertilizer and Pesticide Authority back to the DA.

Previously, the NFA was vested with the functions of ensuring the food security of the country and the stability of supply and price of the staple grain-rice. However, under Republic Act (R. A.) No. 11203 which is "An Act Liberalizing the Importation, Exportation, and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice and Other Purposes", effective last March 5, 2019 and under Rule 3.2 of the Implementing Rules and Regulations (IRR) of the Act, NFA shall no longer issue all permits, licenses, registrations to importers, traders, warehouse operators, wholesalers, retailers, among others. Also, under Article VIII, Section 8 of the same IRR, the NFA shall, in accordance with the rules, regulations, and procedures to be promulgated,

maintain sufficient rice buffer stock to be sourced solely from local farmers in response to emergencies and in support of disaster relief programs of the government.

The NFA has 15 Regional Offices (ROs) and 86 Provincial Offices (POs). It has authorized plantilla positions of 4,756 with 4,139 filled positions as of December 31, 2018. Only 517 personnel holding permanent plantilla items are assigned at the Head Office (HO) while 3,295 personnel are assigned at the Field Offices (FOs). It also has 327 co-terminus employees; 61 assigned at the HO and 266 assigned at the FOs.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Comparative Financial Position

	2018	2017 (As Restated)	Increase (Decrease)
Assets	313,857.644	321,658.260	(7,800.616)
Liabilities	462,221.546	470,210.140	(7,988.594)
Equity deficiency	(148,363.902)	(148,551.880)	187.978

II. Comparative Financial Performance

	2018	2017 (As Restated)	Increase (Decrease)
Revenues	18,222.834	17,931.514	291.320
Current operating expenses	30,596.174	29,471.523	1,124.651
Deficit from current operations	(12,373.340)	(11,540.009)	(833.331)
Gains	160.810	92.719	68.091
Losses	(187.268)	(81.205)	(106.063)
Financial assistance/subsidy	12,785.155	5,100.000	7,685.155
Net surplus/(deficit) for the period	385.357	(6,428.495)	6,813.852

III. Budget and Actual Expenditures

	Budget	Utilization	Difference
Personnel services	2,838.775	2,522.942	315.833
Maintenance and other operating expenses	2,850.718	1,157.417	1,693.301
Capital outlays	1,004.058	167.696	836.362
Procurement	15,582.922	9,941.106	5,641.816
Payment of obligations	40,395.978	31,165.138	9,230.840
Bond sinking fund	–	2.550	(2.550)
Customs duties	4,762.799	4,333.450	429.349
Interest expense	5,304.197	4,338.269	965.928
Net Lending	–	1,449.055	(1,449.055)
	72,739.447	55,077.623	17,661.824

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and financial transactions of NFA for the period January 1 to December 31, 2018 in accordance with the 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, 2018 and 2017. Our audit was also made to assess compliance with laws, rules and regulations, as well as adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered an adverse opinion on the fairness of presentation of the financial statements in view of the following:

1. Under Note 2 to Financial Statements (FS), the FS for Calendar Year (CY) 2018 have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) and are NFA's first FS prepared in accordance with PPSAS and PPSAS 33 First Time Adoption of Accrual Basis has been applied. Also, Note 6 to FS provided an explanation of how the transition from previous generally accepted accounting principles to PPSAS has affected NFA's financial position, financial performance and cash flows. However, NFA was unable to fully comply with the disclosure requirements of the PPSAS, among others, PPSAS 1 on Presentation of FS and non-disclosure of the necessary information as a result of the first time adoption of PPSAS, thus, limiting the presentation of high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis PPSAS and other relevant information in understanding the NFA's financial position, performance and cash flows.

2. The balances of the Assets, Liabilities and Government Equity accounts presented in the Statements of Financial Position from the combined Trial Balances (TBs) of the NFA Regional Offices (ROs) and Central Office (CO), differed by P754.516 million, P543.101 million and P211.415 million, respectively, against the totals of the accounts in the individual TB of the NFA ROs and CO, thus, affecting the fair presentation of the affected accounts.

3. The Intra-agency Receivables and Intra-agency Payables accounts presented in the Statements of Financial Position with significant balances amounting to P300.177 billion and P300.175 billion, respectively, were not eliminated at year-end due to non-reconciliation of accounts; thus, bloating the total assets from P13.681 billion to P313.858 billion or 2,194.09 per cent and total liabilities from P162.047 billion to P462.222 billion or 185.24 per cent, thereby, providing misleading information to the users of the financial statements.

For the above-mentioned audit observations which caused the issuance of an adverse opinion, we recommended that Management:

1.1 Require the National Accountant to:

a. Submit the documents or Journal Entry Vouchers to support and/or substantiate the effect of the transition to PPSAS to verify the reliability and/or correctness of the adjustments; and

b. Comply with the disclosure requirements of the pertinent PPSAS provisions to have fair presentation of the account balances in the FS.

2.1 Require the National Accountant to:

- a. Verify and reconcile the variances between the FS and Combined TBs per Region, and adjust accordingly to come up with reliable balances of the accounts presented in the financial statements.
- b. Account for the causes of the abnormal balances and thereafter, prepare adjusting entries.

3.1 Direct the concerned Accountants to prioritize the reconciliation of Intra-agency accounts in order to have reliable balances and strictly monitor compliance with NFA Standard Operating Procedures (SOP) No. FS-GP13, with emphasis on the regular preparation of schedule of inter-branch transactions and Monthly Reconciliation Statement to identify variances, if any, within the reporting period and immediately coordinate with other offices to prepare the necessary adjustments and resolve the differences;

3.2 Ensure that policies and guidelines on inter-branch transactions are strictly observed, especially the sanctions provided in NFA SOP No. FS-GP13 as deterrent to the accumulation of variances;

3.3 Consider the applicability of COA Circular No. 2016-005 dated December 19, 2016 on the guidelines and procedures on the write-off of dormant accounts; and

3.4 Consider the conduct of a nation-wide reconciliation of the Intra-agency Receivables and Intra-Agency Payables accounts by all the Accountants of CO, ROs and Provincial Offices (POs)/ Operating Units (OUs) in order to confirm and verify the existence and balances of the accounts.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

4. The rice inventory levels in NFA-National Capital Region and other POs in almost all months of CY 2018 were way below the required level of buffer stocks of 15 days in each month and 30 days in July during the year. Hence, NFA was exposed to rice supply shortages and higher prices of commercial rice in the market, thereby, affecting its ability to achieve its mandate of providing stable supply and prices at all times and could compromise its capability to effectively and immediately respond in times of disaster and emergency situations.

4.1 We recommended that Management strengthen the local procurement level to ensure at all times the availability of the required buffer stock levels to attain its mandate under R.A. No. 11203 of 2019, The Rice Tariffication Law, to respond to the rice requirements during calamities.

5. The inability to undertake the necessary legal actions on shortages of Stock Accountable Officers (SAOs) by NFA Management as required in NFA existing policies and guidelines resulted in the accumulation of the stock shortages to P2.931 billion, that includes P0.960 billion pertaining to shortages of SAOs who were no longer connected with NFA. In addition, there are shortages amounting to P1.669 billion without

computation of final Tolerable Allowance (TOLA) due to missing/incomplete warehouse/stock reports and the absence of prescribed time frame to complete stock examination in NFA policy on stock examination and TOLA computation. Hence, the final amount of shortages for collection could not be determined, thus, depriving NFA on the use of uncollected shortages to finance its programs and operations.

5.1 We recommended that Management:

- a. Require the Legal Affairs Department (LAD) of the CO to fast track the resolutions of the cases filed against SAOs; enforce collection of their shortages; and for SAOs no longer connected with NFA, continuously send demand letters to their last known addresses and follow up cases filed at the Ombudsman;
- b. Instruct the District/Provincial Offices to exert utmost efforts to enforce/hasten the collection of the final shortages of SAOs still connected with NFA; and
- c. Revisit SOP No. GM-WH13 and prescribe appropriate timeframe so that the final shortages could be established within a reasonable period and immediate collection of shortages could be facilitated.

6. NFA constantly increased its approved reference price without consideration of the continuous decline in the price of rice in the world market. Thus, it had not obtained the most advantageous price in the purchase of 1.250 million Metric Tons (MT) well-milled long grains white rice through Government-to-Government (G-to-G) and Government-to-Private (G-to-P) or Open Tender procurement schemes.

6.1 We recommended that Management cause the submission of the detailed breakdown of reference price for the procurement of the 750,000 MT through G-to-G and G-to-P procurement scheme and the copy of bidding documents of the losing bidders.

7. The completion of the contract amounting to P5.041 million for the Construction of NFA Records Center Extension Building was delayed due to unwarranted issuance of suspension order equivalent to 55 calendar days and additional delay of 294 calendar days. The Certificate of Completion was already issued and the retention money was released to the contractor, although the construction defects were not rectified by the contractor, thus depriving the Agency of the intended use of the project. Moreover, the delay due to unwarranted issuance of suspension order and additional delay resulted in impossible liquidated damages amounting to P66,861 which was not deducted from the final payment to the contractor.

7.1 We recommended that the Management:

- a. Impose additional liquidated damages to the contractor in the total amount of P66,861; and
- b. Direct the LAD and the Internal Audit Service Department to:

b.1 File appropriate charges against NFA personnel who issued Certificate of Completion and release the retention money despite the defects to be rectified by the contractor; and

b.2 Demand the Contractor to correct all the defects noted at no extra cost to NFA or file appropriate charges for non-completion of the contract in a proper and workmanlike manner.

8. The grant, utilization, disbursement and recording of fund transfers amounting to P3.650 million from the NFA Corn Development Fund (CDF) to the Philippine Maize Federation Inc. (PHILMAIZE) from CYs 2007 to 2018 was not in accordance with COA Circular No. 2007-001 dated October 25, 2007 and NFA SOP No. TS-ES22, thus rendering the fund transfers of doubtful regularity due to: (i) the non-submission of eligibility documents and non-liquidation of the previous cash advance; (ii) the fund transfer treated as direct expense instead of receivables from PHILMAIZE; and (iii) conflict of interest.

8.1 We recommended that Management:

a. Strictly comply with the provisions of COA Circular 2007-001 on the transfer of government funds to Non-Government Organization (NGO)/Civil Society Organization (CSO);

b. Instruct the NFA-CDF Accounting Services Department to recognize in the NFA CDF books of accounts the fund transfer to PHILMAIZE as receivable from NGO/CSO to establish the accountability of the beneficiary to liquidate the funds and to require the submission of accomplishment and liquidation reports; and

c. Ensure that only qualified NGO/CSO shall be the recipient of government funds.

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2018, NFA had total consolidated unsettled Notices of Suspension (NSs) of P12.609 million, Notices of Disallowance (NDs) of P196.303 million and Notices of Charge (NCs) of P1.770 million. The details and status are shown in Annex B, Part IV of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 313 audit recommendations embodied in the prior years' Annual Audit Reports (AARs), 52 were fully implemented while 17 were no longer doable, hence, deleted from this Status. Notices of Disallowance for four recommendations were issued, thus, deleted from this Status and included in Annex B (Details and Status of Unsettled Disallowances). Sixteen (16) recommendations in Calendar Year (CY) 2017 which were reiterations of CY 2016 recommendations were also excluded from this Status. Lastly, 168 recommendations were partially implemented; 21 were not implemented; and 35 were revised and reformulated to be more specific, doable and measurable. Details are presented in Part III of this Report.

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

INDEPENDENT AUDITOR'S REPORT

THE NFA COUNCIL

National Food Authority
L-Shaped Bldg., NFA Compound
Visayas Avenue, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **National Food Authority (NFA)**, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of financial performance, statements of changes in net assets/equity, statements of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position of NFA as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSAS).

Basis for Adverse Opinion

Under Note 2 to Financial Statements (FS), the FS for Calendar Year (CY) 2018 have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) and are NFA's first FS prepared in accordance with PPSAS and PPSAS 33 First Time Adoption of Accrual Basis has been applied. Also, Note 6 to FS provided an explanation of how the transition from previous generally accepted accounting principles to PPSAS has affected NFA's financial position, financial performance and cash flows. However, NFA was unable to fully comply with the disclosure requirements of the PPSAS, among others, PPSAS 1 on Presentation of FS and non-disclosure of the necessary information as a result of the first time adoption of PPSAS, thus, limiting the presentation of high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis PPSAS and other relevant information in understanding the NFA's financial position, performance and cash flows.

Moreover, the balances of the Assets, Liabilities and Government Equity accounts presented in the Statements of Financial Position from the combined Trial Balances (TBs) of the NFA Regional Offices (ROs) and Central Office (CO), differed by P754.516 million, P543.101 million and P211.415 million, respectively, against the totals of the accounts in the individual TB of the NFA ROs and CO, thus, affecting the fair presentation of the affected accounts.

Further, the Intra-agency Receivables and Intra-agency Payables accounts presented in the Statements of Financial Position with significant balances amounting to P300.177 billion and

P300.175 billion, respectively, were not eliminated at year-end due to non-reconciliation of accounts; thus, bloating the total assets from P13.681 billion to P313.858 billion or 2,194.09 per cent and total liabilities from P162.047 billion to P462.222 billion or 185.24 per cent, thereby, providing misleading information to the users of the financial statements.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NFA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to paragraph 12 of Note 1 to FS which cited that under Republic Act No (R.A.) No. 11203 which is An Act Liberalizing the Importation, Exportation, and Trading of Rice, Lifting for the Purpose the Quantitative, NFA shall no longer issue all permits, licenses, registrations to importers, traders, warehouse operators, wholesalers, retailers, among others. Also, the NFA shall maintain sufficient rice buffer stock to be sourced solely from local farmers in response to emergencies and in support of disaster relief programs of the government. Our opinion is not modified regarding this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PPSAS, 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 NFA's ability to continue as a going concern, disclosing as possible, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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 ISSAI 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 ISSAI, 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 Agency'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 Agency'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 Agency 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 the Supplementary Information Required Under BIR Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 34.1 to the FS is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PPSAS. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT


ELENA L. AGUSTIN
 Supervising Auditor
 Audit Group A – NFA/FTI
 Cluster 5-Agricultural and Natural Resources
 Corporate Government Sector

June 6, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

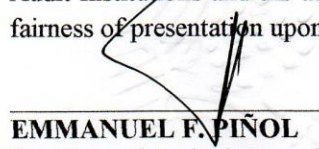
The Management of the **National Food Authority (NFA)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the NFA'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 NFA or to cease operations, or has no realistic alternative to do so.

The NFA Council is responsible for overseeing the NFA's financial reporting process.

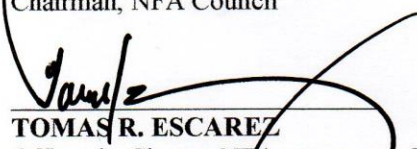
The NFA Council reviews and approves the financial statements, including the schedules attached therein, and submits the same to the regulators, creditors and other users.


The Commission on Audit, through its authorized representative, has examined the financial statements of the NFA pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions and the auditor, in its report to the NFA Council, has expressed its opinion on the fairness of presentation upon completion of such audit.


EMMANUEL F. PIÑOL
Secretary of Agriculture and
Chairman, NFA Council

DEPARTMENT OF AGRICULTURE

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TOMAS R. ESCAREZ
Officer-in-Charge, NFA, concurrent Deputy Administrator for
Finance and Administration, and
Vice-Chairman, NFA Council


ERLINDA E. BALDERAS
Department Manager
Accounting Services Department

NATIONAL FOOD AUTHORITY
STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2018, 2017 and January 1, 2017
(In Philippine Peso)

	Note	2018	2017 As restated	January 1, 2017 Opening Statement
ASSETS				
Current assets				
Cash and cash equivalents	8	983,644,749	1,085,214,641	1,800,735,945
Financial Assets	9	604,630,188	7,780,575,674	758,414,387
Receivables, net	10	4,233,942,708	4,316,845,288	1,391,898,060
Intra-agency receivables	11	300,176,526,838	300,465,236,299	356,673,630,424
Inventories, net	12	3,729,889,587	3,889,642,217	15,475,850,012
Other current assets	13	241,863,822	161,832,062	363,267,412
		309,970,497,892	317,699,346,181	376,463,796,240
Non-current assets				
Financial Assets	14	516,826,380	516,827,480	4,924,072,291
Property, plant and equipment - net	15	2,069,299,182	2,150,871,664	2,138,351,109
Intangible assets	16	1,931,260	1,931,260	1,931,200
Other non-current assets	13	1,299,089,071	1,289,283,891	4,129,604,149
		3,887,145,893	3,958,914,295	11,193,958,749
TOTAL ASSETS		313,857,643,785	321,658,260,476	387,657,754,989
LIABILITIES				
Current liabilities				
Financial liabilities	17	62,223,623,027	63,558,101,131	55,085,085,413
Inter-agency payables	18	47,862,189,111	42,361,288,784	33,601,170,933
Intra-agency payables	19	300,174,796,608	300,466,750,877	356,675,500,341
Trust liabilities	20	673,818,403	976,678,057	1,077,996,114
		410,934,427,149	407,362,818,849	446,439,752,801
Non-current liabilities				
Financial liabilities	17	51,095,067,277	62,653,929,457	82,214,285,044
Deferred credits/unearned income	21	192,051,853	193,391,747	246,171,248
		51,287,119,130	62,847,321,204	82,460,456,292
TOTAL LIABILITIES		462,221,546,279	470,210,140,053	528,900,209,093
EQUITY DEFICIENCY (Total Assets Less Total Liabilities)		(148,363,902,494)	(148,551,879,577)	(141,242,454,104)
EQUITY DEFICIENCY				
Contributed capital	31	5,000,000,329	5,000,000,329	5,000,000,329
Accumulated surplus/(deficit)	32	(153,363,902,823)	(153,551,879,906)	(146,242,454,433)
EQUITY DEFICIENCY		(148,363,902,494)	(148,551,879,577)	(141,242,454,104)

The Notes on pages 10 to 61 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

			2017
	Note	2018	As restated
Revenue	22		
Service and business income		18,117,173,119	17,809,516,177
Share, grants and donations		43,548	375,308
Miscellaneous income		105,617,260	121,622,990
		18,222,833,927	17,931,514,475
Current operating expenses			
Personnel services	23	2,402,055,563	2,195,736,109
Maintenance and other operating expenses	24	1,479,667,695	1,738,427,552
Financial expenses	25	6,366,230,096	5,962,357,592
Direct costs	26	20,171,062,391	19,385,764,047
Non-cash expenses	27	177,158,471	189,237,810
		30,596,174,216	29,471,523,110
Deficit from current operations		(12,373,340,289)	(11,540,008,635)
Gains	28	160,810,053	92,718,532
Losses	28	(187,267,540)	(81,205,279)
Financial assistance/subsidy	29	12,785,154,971	5,100,000,000
Net surplus/(deficit) for the period		385,357,195	(6,428,495,382)

The Notes on pages 10 to 61 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Accumulated surplus/(deficit) (Note 32)	Contributed capital (Note 31)	Total
BALANCE AT JANUARY 1, 2017, as restated	(146,242,454,433)	5,000,000,329	(141,242,454,104)
CHANGES IN NET ASSETS/EQUITY FOR CY 2017			
Add/(Deduct):			
Surplus/(Deficit) for the period	(6,428,495,382)	-	(6,428,495,382)
Prior period errors	5,614,225,614	-	5,614,225,614
Other adjustments	(6,495,155,705)	-	(6,495,155,705)
BALANCE AT DECEMBER 31, 2017, as restated	(153,551,879,906)	5,000,000,329	(148,551,879,577)
CHANGES IN NET ASSETS/EQUITY FOR CY 2018			
Add/(Deduct):			
Surplus/(Deficit) for the period	385,357,195	-	385,357,195
Prior period errors	(21,780,174,349)	-	(21,780,174,349)
Other adjustments	21,582,794,237	-	21,582,794,237
BALANCE AT DECEMBER 31, 2018	(153,363,902,823)	5,000,000,329	(148,363,902,494)

The Notes on pages 10 to 61 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of notice of cash allocation		7,000,000,000	5,100,000,000
Collection of income/revenues		17,448,024,960	17,127,504,095
Collection of receivables		94,371,377	229,236,752
Receipt of inter-agency fund transfers		392,200,250	461,575,212
Receipt of intra-agency fund transfers		23,715,024,325	25,498,876,841
Trust receipts		366,129,706	397,120,330
Other receipts		399,090,828	339,494,040
Adjustments		17,168,589	10,765,620
		49,432,010,035	49,164,572,890
Cash Outflows			
Remittance to National Treasury		700,000,000	510,000,000
Payment of expenses		2,755,744,036	2,771,895,869
Purchase of inventories		1,289,225,668	582,658,757
Grant of cash advances		170,857,475	124,213,461
Prepayments		4,367,344	5,124,146
Refund of deposits		3,049,830	101,541,739
Payment of accounts payable		9,198,645,823	4,423,778,789
Remittance of personnel benefit contributions and mandatory deductions		1,188,624,172	1,190,545,057
Release of inter-agency fund transfers		111,366,169	245,822,942
Release of intra-agency fund transfers		23,872,417,373	25,527,505,881
Other disbursements		69,773,323	139,141,250
Adjustments		20,042,014	13,503,077
		39,384,113,227	35,635,730,968
Net cash provided by operating activities		10,047,896,808	13,528,841,922
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from sale/disposal of property and equipment		1,365,137	610,869
Proceeds from sale of other assets		1,295,704	125,062
Sale of investments		106,450,000	-
Receipt of cash dividends		71,000,000	-
Proceeds from matured/return of investments		7,005,161,728	-
		7,185,272,569	735,931
Cash Outflows			
Purchase/construction of property and equipment		167,696,439	227,383,392
Investment		2,549,824	2,500,000,000
		170,246,263	2,727,383,392
Net cash provided by/(used in) investing activities		7,015,026,306	(2,726,647,461)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from domestic and foreign loans		19,751,250,948	27,085,569,677
		19,751,250,948	27,085,569,677
Cash Outflows			
Payment of long-term liabilities		32,614,192,559	33,950,005,318
Payment of interest expense (BTR/NG debt)		4,338,269,379	4,652,666,874
		36,952,461,938	38,602,672,192
Net cash used in financing activities		(17,201,210,990)	(11,517,102,515)
DECREASE IN CASH AND CASH EQUIVALENTS		(138,287,876)	(714,908,054)
Effects of exchange rate changes on cash and cash equivalents		36,717,984	(613,250)
			8
CASH AND CASH EQUIVALENTS, January 01		1,085,214,641	1,800,735,945
CASH AND CASH EQUIVALENTS, December 31	8	983,644,749	1,085,214,641

The Notes on pages 10 to 61 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2018
(In Philippine Peso)

		Budgeted amounts		Actual amounts on	Difference
	Note	Original	Final	comparable basis	final budget and actual
RECEIPTS					
Corporate funds		21,698,646,000	21,698,646,000	17,651,507,179	4,047,138,821
National government subsidy	29	7,000,000,000	7,000,000,000	7,000,000,000	-
Borrowings		31,556,955,000	31,556,955,000	14,694,020,204	16,862,934,796
Net lending		8,000,000,000	8,000,000,000	5,057,230,744	2,942,769,256
Tax subsidy		4,762,800,000	4,762,800,000	4,333,450,583	429,349,417
Bond sinking fund		-	-	7,076,161,728	(7,076,161,728)
		73,018,401,000	73,018,401,000	55,812,370,438	17,206,030,562
PAYMENTS					
Personnel services		2,838,775,000	2,838,775,000	2,522,941,819	315,833,181
Maintenance and other operating expenses		2,850,718,000	2,850,718,000	1,157,416,663	1,693,301,337
Capital outlay		1,004,058,000	1,004,058,000	167,696,439	836,361,561
Procurement		15,582,922,000	15,582,922,000	9,941,105,579	5,641,816,421
Payment of obligations		40,395,978,000	40,395,978,000	31,165,137,760	9,230,840,240
Bond sinking fund		-	-	2,549,824	(2,549,824)
Custom duties		4,762,799,000	4,762,799,000	4,333,450,583	429,348,417
Interest expense		5,304,197,000	5,304,197,000	4,338,269,379	965,927,621
Net lending		-	-	1,449,054,800	(1,449,054,800)
		72,739,447,000	72,739,447,000	55,077,622,846	17,661,824,154
NET RECEIPTS/PAYMENTS		278,954,000	278,954,000	734,747,592	(455,793,592)

The Notes on pages 10 to 61 form part of these financial statements.

NATIONAL FOOD AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

The National Food Authority (NFA) was originally created under the name of National Grains Authority (NGA) through Presidential Decree (PD) No. 4 dated September 26, 1972 with the original mandate to promote the integrated growth and development of the grains industry covering rice, corn, feed grains and other grains like sorghum, mongo, and peanut to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made and to promote the stabilization of supply and prices of staple cereals both at the farm gate and consumer levels.

On May 12, 1975, PD No. 699 took effect as an amendment of PD No. 4, wherein the NGA shall perform other functions as may be necessary to carry into effect the provision of the Act, including but not limited to, the development, culture or production of grains, and the establishment, acquisition and/or operations of grains processing, handling storage and transport facilities.

On June 11, 1978, PD No. 1485 was approved to further amend certain provisions of the National Grains Industry Development Act. The law was known as the NGA Act.

On January 14, 1981, PD No. 1770 was issued which reconstituted the NGA into what is now the NFA. This Decree widened the Agency's social responsibilities and commodity coverage to include, in addition to grains, other food items like raw or fresh fruits and vegetables and fish and marine manufactured, processed, or packaged food products, and these were collectively referred to as non-grains commodities.

On May 31, 1985, Executive Order (EO) No. 1028 was issued and provided for the deregulation of NFA's non-grains marketing activities. This resulted in the termination of NFA's non-grains trading activities and the return of feed grains and wheat importation to the private sector as well as the lifting of price controls/ceilings on rice and corn. As such at the end of 1986, all the Kasama sa Diwa (KADIWA) stores had been devolved to the private sector and/or closed.

On January 30, 1987, EO No. 116 was issued where the NFA was detached from the Office of the President (OP) and was realigned under the Department of Agriculture (DA) to respond the policy changes with emphasis on private sector participation towards strengthening of a freer, market-oriented enterprise economy and trend towards liberation, privatization and deregulation.

Pursuant to EO No. 398 dated January 31, 1997, NFA undertakes the procurement of sugar when necessary. Furthermore, EO No. 22 issued in September 1998 authorized NFA to include in its scope the marketing operations of other basic food items.

On May 5, 2014, EO No. 165 transferred the NFA together with the National Irrigation Administration, Philippine Coconut Authority and Fertilizer and Pesticide Authority from the DA to the OP, to enhance and coordinate the efforts of these agencies in fulfilling their respective mandates. The oversight responsibilities over these agencies were given to the

created Office of Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) of the OP.

On July 4, 2016, the NFA was among the 12 agencies formerly from the OPAFSAM that were reassigned to the Office of the Cabinet Secretary of the OP under EO No. 1 dated June 30, 2016 issued by President Rodrigo Roa Duterte. It is governed by a Council which is chaired by the Cabinet Secretary.

On September 17, 2018, EO No. 62 amended EO No. 1 (S. 2016) and transferred NFA together with Philippine Coconut Authority and Fertilizer and Pesticide Authority back to the DA.

Previously, the NFA was vested with the functions of ensuring the food security of the country and the stability of supply and price of the staple grain-rice. It performs these functions through various activities and strategies, which include procurement of paddy from individual bonafide farmers and their organizations, buffer stocking, processing activities, dispersal of paddy and milled rice to strategic locations and distribution of the staple grain to various marketing outlets at appropriate times of the year.

However, under Republic Act (R. A.) No. 11203 which is “An Act Liberalizing the Importation, Exportation, and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice and Other Purposes”, effective last March 5, 2019 and under Rule 3.2 of the Implementing Rules and Regulations (IRR) of the Act, NFA shall no longer issue all permits, licenses, registrations to importers, traders, warehouse operators, wholesalers, retailers, among others. Also, under Article VIII, Section 8 of the same IRR, the NFA shall maintain sufficient rice buffer stock to be sourced solely from local farmers in response to emergencies and in support of disaster relief programs of the government.

NFA has 15 Regional Offices (ROs) and 86 Provincial Offices (POs). As of December 31, 2018, it had 4,756 authorized plantilla positions with 4,139 filled-up positions. There were 517 personnel holding permanent plantilla items assigned at the NFA Central Office (CO), while 3,295 personnel were assigned at the Field Offices (FOs). It had 327 co-terminus employees; 61 were assigned at the CO and 266 were assigned at the FOs.

Under R. A. 11203, NFA is still in transition period on its Restructuring/Reorganization Plan which shall include the applicable retirement and separation benefits in accordance with existing laws, rules and regulations.

The NFA-CO is located in L-Shaped Bldg., NFA Compound, Visayas Avenue, Quezon City, Philippines.

The Financial Statements (FS) of the NFA was authorized for issue on February 14, 2019 as shown in the Statement of Management Responsibility for the FS signed by Emmanuel F. Piñol, Chairman, NFA Council and Tomas R. Escarez, Officer-in-Charge/Vice Chairman, NFA Council.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FS

The FS have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) prescribed for adoption by the COA per COA Resolution No. 2014-003 dated January 24, 2014.

These are the NFA's first financial statements prepared in accordance with PPSAS and PPSAS 33 First-time Adoption of Accrual Basis has been applied. The date of adoption of PPSAS is January 1, 2017. The accounting policies have been consistently applied throughout the year presented.

The FS have been prepared under the historical cost, unless stated otherwise. The Statements of Cash Flows are prepared using the direct method.

The FS are presented in Philippine Peso (Php), which is also the country's functional currency.

3. ADOPTION OF PPSAS

COA Resolution No. 2014-003 dated January 24, 2014 prescribed the adoption of 25 PPSAS effective January 1, 2014 by non-government business enterprises (Non-GBEs), as amended by COA Resolution No. 2015-040 dated December 01, 2015, on the effectivity of the adoption of the PPSAS from May 22, 2015 to January 1, 2016. These PPSAS were based on the International Public Sector Accounting Standards (IPSAS) which were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board (IPSASB). COA Resolution No. 2017-006 dated April 26, 2017 prescribed the adoption of additional six PPSAS and updates on the PPSAS prescribed in COA Resolution No. 2014-003 in accordance with the 2016 Edition of the HIPSAP.

3.1 Effective in 2018 that are Relevant to the Authority

Below is a list of PPSAS issued as at December 31, 2018 that are adopted for the first time by the NFA in preparing the FS for the year ended December 31, 2018 and the comparative information presented in these FS for the year ended December 31, 2017 and in the preparation of an opening PPSAS statement of financial position at January 1, 2017 (NFA's date of transition)

- PPSAS 1, Presentation of Financial Statements (effective for periods beginning January 1, 2014)

This Standard sets overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

- PPSAS 2, Cash Flows Statements (effective for periods beginning January 1, 2014)

This Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 3, Accounting Policies, Changes in Accounting Estimate and Errors (effective for periods beginning January 1, 2014)

This Standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors. (See Note 5)

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for property, plant and equipment (PPE) was applied. (See Notes 4.6, 4.8 and 15)

- PPSAS 4, Effect of Changes in Foreign Exchange (ForEx) Rate (effective for periods beginning January 1, 2014)

This Standard prescribes how to include foreign currency transactions and foreign operations in the financial statement of an entity, and how to translate financial statements into presentation currency. (See Notes 4.9 and 28)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 5, Borrowing Costs (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting treatment for borrowing costs. This Standard generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that is directly attributable to the acquisition, construction, or production of a qualifying asset. (See Notes 4.13 and 25)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 9, Revenue from Exchange Transactions (effective for periods beginning January 1, 2014)

This Standard prescribes the standards for identification, measurement and disclosure of revenues of public sector entities derived from exchange transactions. An exchange is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange. These transactions are rendering of services, sale of goods and use by other entity assets yielding interest, royalties, and dividends. (See Notes 4.11 and 22)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 12, Inventories (effective for periods beginning January 1, 2014)

This Standard sets out the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. (See Notes 4.2.a, 8, 9 and 10)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS. (See Notes 4.5 and 12)

- PPSAS 13, Leases

This Standard shall be applied in accounting for all leases other than:

- a. Leases to explore for or use minerals, oil, natural gas, and similar non-regenerative resources; and
- b. Licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents, and copyrights.

- PPSAS 14, Events After the Reporting Date (effective for periods beginning January 1, 2014)

This Standard prescribes the circumstances in which adjustments for events after the reporting period are required. It also prescribes the disclosure requirements regarding the date of authorization for issue and information received after the reporting period.

It requires that an entity should not prepare its FS on going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

Upon assessment, NFA has no relevant event, which needs necessary adjustments and/or disclosure that occurred after the reporting date but before the issuance of this report.

- PPSAS 16, Investment Property

This Standard shall be applied in accounting for investment property, including:

- a. The measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease; and
- b. The measurement in a lessor's financial statements of investment property provided to a lessee under operating lease.

- PPSAS 17, Property, Plant and Equipment (PPE), (effective for periods beginning January 1, 2014)

This Standard prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting PPE of the Philippine public sector. The principal issues in accounting for PPE are (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them. (See Notes 4.6 and 15)

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000 were accounted as semi-expendable property (if not yet issued to end-user), expense accounts (if issued within the year), or accumulated surplus (deficit) (if issued in prior years). (See Notes 4.6, 12.4, 14 and 15)

- PPSAS 19, Provisions, Contingent Liabilities and Contingent Assets (effective for periods beginning January 1, 2014)

This Standard defines provisions, contingent liabilities and contingent assets, and identifies the circumstances in which provisions should be recognized, how they should be measured, and the disclosures that should be made about them. It also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the FS to enable users to understand their nature, timing and amount.

Upon assessment, NFA has no transaction that transpired during the year in which contingent liability or contingent asset should be recognized or disclosed.

- PPSAS 20, Related Party Disclosure

This Standard shall be applied in disclosing information about related party relationships and certain transactions with related parties. (See Note 30)

- PPSAS 21, Impairment of Non-Cash-Generating Assets

This Standard shall be applied in determining whether a non-cash-generating asset is impaired, and to ensure that impairment losses are recognized. It also emphasizes when an entity would reverse an impairment loss, and prescribes disclosure.

- PPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers) (effective for periods beginning January 1, 2014)

This Standard prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. This Standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange

transactions, including the identification of contributions from owners. (See Note 4.10)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 24, Presentation of Budget Information in Financial Statements (effective for periods beginning January 1, 2014)

This Standard prescribes a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. (See Note 4.12 and 33)

The Statement of Comparison of Budget and Actual Amount (SCBAA) and the disclosure of an explanation of the reasons for material differences between the budget and actual amounts were prepared in accordance with this Standard.

- PPSAS 26, Impairment of Cash-Generating Assets

This Standard shall be applied in determining whether a cash-generating asset is impaired, and to ensure that impairment losses are recognized. It also emphasizes when an entity would reverse an impairment loss, and prescribes disclosure.

- PPSAS 28, Financial Instruments: Presentation (effective for periods beginning January 1, 2014)

This Standard establishes principles for presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends or similar distribution, losses and gains; and circumstances in which financial assets and financial liabilities should be offset.

This Standard complements the principles for recognizing and measuring financial assets and financial liabilities in PPSAS 29, "Financial Instruments: Recognition and Measurement", and for disclosing information about them in PPSAS 30, "Financial Instruments: Disclosures".

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS. (See Notes 9, 14 and 17)

- PPSAS 29, Financial Instruments: Recognition and Measurements (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It complements the principles for presenting information about financial instruments in PPSAS 28 “Financial Instruments: Presentation” and for disclosing information about them in PPSAS 30, “Financial Instruments: Disclosures.”

The NFA’s financial instruments were recognized, measured and classified in accordance with PPSAS 29. (See Notes 4.2.a.i, 9, 14 and 17)

- PPSAS 30, Financial Instruments – Disclosures (effective for periods beginning January 1, 2014)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for entity’s financial position and financial performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this Standard complement the principles for presenting and recognizing and measuring financial assets and financial liabilities in PPSAS 28, “Financial Instruments: Presentation” and PPSAS 29, “Financial Instruments: Recognition and Measurement”.

- PPSAS 31, Intangible Assets (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another Standard. It prescribes the principle for its recognition and measurement as well as its disclosure requirements. (See Notes 4.7 and 16)

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 33, First-time Adoption of Accrual Basis PPSAS (effective for periods beginning January 1, 2018) (See Note 6)

This Standard provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis PPSAS, in order to present high quality information:

- a. That provides transparent reporting about a first-time adopter’s transition to accrual basis PPSAS;

- b. That provides a suitable starting point for accounting in accordance with accrual basis PPSAS irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and
- c. Where the benefits are expected to exceed the costs.

- PPSAS 36, Investments in Associates and Joint Ventures

This Standard shall be applied in accounting for investment in associates and joint ventures. It shall also be applied by all entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. (See Note 14.2)

3.2 Effective in 2018 that are not Relevant to the Authority

The following Standards are mandatorily effective for annual periods beginning January 1, 2018 but are not relevant to the NFA FS:

- PPSAS 6, Consolidated and Separate FS

This Standard shall be applied in accounting for controlled entities, jointly controlled entities, and associates when an entity elects, or is required by local regulations, to present separate financial statements.

- PPSAS 8, Interest in Joint Ventures

This Standard shall be applied in accounting for joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers' and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

- a. Venture capital organizations; or
- b. Mutual funds, unit trusts and similar entities including investment linked insurance funds.

- PPSAS 27, Agriculture

This Standard shall be applied in accounting treatment and disclosures for agricultural activity, such as:

- a. Biological assets; and
- b. Agricultural produce at the point of harvest.

- PPSAS 32, Service Concession Arrangements – Grantor

This Standard shall be applied in accounting for service concession arrangements by the grantor, a public sector entity.

- PPSAS 37, Joint Ventures

This Standard shall be applied in determining the type of joint arrangement in which it is involved and in accounting for the rights and obligations of the joint arrangement.

- PPSAS 38, Disclosure of Interest in Other Entities

This Standard shall be applied in disclosing information about its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The FS are prepared on an accrual basis in accordance with the PPSAS.

4.2 Financial Instruments

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of PPSAS 29 - *Financial Instrument: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The NFA determines the classification of its financial assets at initial recognition.

The NFA's financial assets include Cash and Cash Equivalents, Other Investments, Trade and Non-trade Receivables. (See Notes 8, 9, 10 and 14)

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. (See Note 9)

2. 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 the effective interest method, 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. (See Note 10)

3. Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the NFA has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, 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. The losses arising from impairment are recognized in surplus or deficit.

iii. Derecognition

NFA 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 asset expired or waived; and
2. NFA 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 set forth in PPSAS 29 *Financial Recognition and Measurement*; and either the entity has:
 - transferred substantially all the risks and rewards of ownership of the financial asset; or
 - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset

iv. Impairment of financial assets

NFA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. (See Note 4.4, 10.1 and 27)

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty
2. Default or delinquency in interest or principal payments
3. The probability that debtors will enter bankruptcy or other financial reorganization
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The NFA determines the classification of its financial liabilities at initial recognition.

The NFA's financial liabilities include Accounts Payable, Due to Officers and Employees, Notes Payable, Interest Payable, and Loans Payable – Domestic and Foreign. (See Note 17)

ii. Subsequent measurement

The 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 the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or deficit. (PPSAS 29.10, PPSAS 29.49(a) and PPSAS 29.64)

2. Loans and borrowing

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

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. (PPSAS 28.47)

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

4.3 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and cash deposits in banks. Cash on hand includes cash with collecting officers. For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents consist of cash and short-term deposits. (See Note 8)

Cash with Disbursing Officer which previously formed part of Cash is now classified as Other Assets – Advances for Operating Expenses.

4.4 Provision for Allowance for Impairment Loss – Accounts Receivable

Allowance for Impairment Loss – Accounts Receivable was set at a level adequate to provide for potential uncollectible amount of receivable derived from the computations based on percentages and aging of accounts receivable as follows: 25% for accounts aged one (1) year to less than two (2) years , 50% for accounts aged two (2) years to less

than three (3) years, 75% for accounts aged three (3) years but less than four (4) years and 100% for accounts aged four years and above. (See Note 10.1)

4.5 Inventories

i. Initial recognition and measurement

The cost of inventories shall comprise all costs of purchase, costs of conversion (materials, labor and overhead) and other costs incurred in bringing the inventories to their present location and condition, excluding abnormal amounts of wasted materials, labor, other production and selling costs, administrative overheads that do not contribute to bringing inventories to their present location and condition. Trade discounts, rebates, and other similar items are deducted in determining the costs of purchase. (Pars. 18, 19 & 25, PPSAS 12).

Inventories held for consumption of NFA are measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. (See Note 12)

ii. Subsequent measurement

Inventories shall be measured at the lower of cost and net realizable value. However, where inventories are acquired through a non-exchange transaction, their costs shall be measured at their fair value as at the date of acquisition; (Pars. 15-16, PPSAS 12)

iii. Cost Formulas

The weighted average method shall be used for costing inventories. This method calls for the re-calculation of the average cost of all items in stock after every purchase. Therefore, the weighted average cost is the total cost of all units subsequent to the latest purchase, divided by their total number of units available.

Inventories that are held for consumption are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NFA

4.6 Property, Plant and Equipment (PPE)

a. Recognition

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

The characteristics of PPE are as follows:

- i. Tangible items;
- ii. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

- iii. Expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- 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 P15,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

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

Cost includes the following:

- i. its 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. (See Note 15)

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 expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset. (See Notes 15 and 27)

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.

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 NFA uses the Schedule on the estimated useful life of PPE by classification under NFA Standard Operating Procedure (SOP) No. GSPD19 dated May 24, 2003, which is also within the prescribed schedule prepared by COA.

iv. Residual value

The NFA uses a residual value equivalent to at least five per cent of the cost of the PPE.

e. Derecognition

The NFA 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. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

4.7 Intangible Assets

a. Recognition and measurement

Intangible Assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably. (See Note 16)

Intangible Assets acquired separately are initially recognized at cost.

b. Development costs

Development costs on an individual project are recognized as Intangible Assets when the NFA can demonstrate:

- i. The technical feasibility of completing the asset so that the asset will be available for use;
- ii. Its intention to complete and its ability to use or sell the asset;
- iii. How the asset will generate future economic benefits or service potential;
- iv. The availability of resources to complete the asset; and
- v. The ability to measure reliably the expenditure during development.

4.8 Changes in Accounting Policies and Estimates

The NFA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application was impractical.

The NFA recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The NFA corrects material prior period errors retrospectively in the first set of FSs authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

4.9 Foreign Currency Transactions

Foreign currency liabilities are booked up at peso equivalents at the time of availment. Payments are taken up at current ForEx rate. Gain or loss on ForEx is recognized and charged to current operations. Outstanding loan and dollar bank account balances at the end of the year are restated using the Bangko Sentral ng Pilipinas (BSP) closing rate at the last banking day of the year and any gain/loss is recorded accordingly. (See Note 28)

4.10 Revenue from Non-Exchange Transactions

a. Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably. An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As NFA satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Gifts and Donations

NFA recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind were recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value are ascertained by reference to quoted prices in an active and liquid market.

f. Transfers

NFA recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

g. Services in-Kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

h. Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the NFA and can be measured reliably.

4.11 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at fair value of the consideration received or receivable. (See Note 22)

b. Rendering of services

The NFA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable. (See Note 22)

c. Fines and penalties

The NFA recognizes revenue from fines and penalties on the late deliveries of items purchased through importation or local purchases when earned. (See Note 22)

d. Interest income

Interest income is accrued 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. (See Note 22)

e. Dividends

Dividends or similar distributions are recognized when the NFA's right to receive payments is established.

4.12 Budget Information

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

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

The annual budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public. (See Note 33)

4.13 Borrowing Costs

For loans borrowed directly by NFA, the allowed alternative treatment is used.

4.14 Employee Benefits

The employees of NFA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The NFA recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

4.15 Measurement of Uncertainty

The preparation of FS in conformity with PPSAS, 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 FS and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include e.g. the useful life of capital assets, estimated employee benefits, rates for amortization, impairment of assets, liability for contaminated sites, etc. Estimates were 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 FS. Actual results could differ from these estimates.

5. CHANGES IN ACCOUNTING POLICIES

NFA adopted the following new accounting policies:

5.1 PPSAS 1 – *Presentation of Financial Statements*

Existing Terminology of FS (6)	Prescribed Terminology of FS (6)
Balance Sheet	Statement of Financial Position
Statement of Income and Expenses	Statement of Financial Performance
Statement of Changes in Equity	Statement of Changes in Net Assets/Equity
Cash Flow Statement	Statement of Cash Flows
Statement of Comparison of Budget and Actual Amounts	Statement of Comparison of Budget and Actual Amounts
Notes to FS	Notes to FS

The implementation of the prescribed terminology of FS is as at December 31, 2017 FS.

5.2 PPSAS 2 – Cash Flows Statements

The NFA presented the Statement of Cash Flows that classifies the cash flows during the period from operating, investing and financing activities.

The NFA started the implementation of the prescribed presentation of Statement of Cash Flows as at December 31, 2017.

5.3 PPSAS 12 – Inventories

The NFA recognized the reclassification of all PPE below the capitalization threshold of P15,000 to Semi-expendable account including PPEs issued prior to January 1, 2016.

Those PPE items below the capitalization threshold of P15,000 is recognized as Semi-expendable machinery and equipment inventory and Semi-expendable furniture, fixtures and books inventory which were coded as 50203210 and 50203220, respectively, in the Revised Chart of Accounts (RCA). These accounts were originally classified in the Electronic New Government Accounting System (e-NGAS) account as Other Supplies Inventory account coded as 765. (See Note 12)

Inventories are recognized as expenses upon issuance to the end-user.

5.4 Adoption of the RCA

The NFA is already adopting the use of the RCA for Government Corporations (GCs) classified as Non-Government Business Enterprise (Non-GBEs), with an 8-digit account coding structure, prescribed under COA Circular No. 2015-010 dated December 1, 2015.

6. EXPLANATION OF TRANSITION TO PPSAS

As stated in Note 2, these are the NFA's first FS prepared in accordance with PPSAS.

The accounting policies set out in Note 3 have been applied in preparing the FS for the year ended December 31, 2018, the comparative information presented in these FS for the year ended December 31, 2017 and in the preparation of an opening PFRS statement of financial position at January 1, 2017 (NFA's date of transition)

In preparing its opening statement of financial position, NFA has adjusted amounts reported previously in FS prepared in accordance with previously general accepted state accounting principles in the Philippines. An explanation of how transition from previous generally accepted accounting principles to PPSAS has affected NFA's financial position, financial performance and cash flows is set out in the following tables:

Reconciliation of Net Assets/Equity
At January 1, 2017 (Transition Date)

	Previously Generally Accepted Accounting Principles	Effect of Transition to PPSAS/ Reclassification	PPSAS	
ASSETS				ASSETS
Current assets				Current assets
Cash and cash equivalents	1,956,307,573	(155,571,628)	1,800,735,945	Cash and cash equivalents
	-	758,414,387	758,414,387	Financial Assets
Receivables, net	1,393,733,078	(1,835,018)	1,391,898,060	Receivables, net
Intra-Agency Receivables	-	356,673,630,424	356,673,630,424	Intra-Agency Receivables
Inventories	15,475,851,254	(1,242)	15,475,850,012	Inventories
Prepaid Expenses	18,350,540	(18,350,540)	-	
Other Current Assets	342,330,857	20,936,555	363,267,412	Other Current Assets
Total	19,186,573,302	357,277,222,938	376,463,796,240	Total
Non-current assets				
Investments	5,527,668,047	(603,595,756)	4,924,072,291	Financial Assets
Property, plant and equipment, net	2,140,282,309	(1,931,200)	2,138,351,109	Property, plant and equipment, net
Intangible Assets	-	1,931,200	1,931,200	Intangible Assets
Other Non-Current Assets	4,129,602,907	1,242	4,129,604,149	Other Non-Current Assets
Total	11,797,553,263	(603,594,514)	11,193,958,749	Total
TOTAL ASSETS	30,984,126,565	356,673,628,424	387,657,754,989	TOTAL ASSETS
LIABILITIES				LIABILITIES
Current liabilities				Current liabilities
Payables	41,256,094,979	13,828,990,434	55,085,085,413	Financial liabilities
Inter-agency payables	33,808,081,012	(206,910,079)	33,601,170,933	Inter-agency payables
Intra-agency payables	-	356,675,500,341	356,675,500,341	Intra-agency payables
Trust Liabilities	-	1,077,996,114	1,077,996,114	Trust Liabilities
Other Liability Accounts	518,318,335	(518,318,335)	-	
Current Maturities of Loans Payables	13,828,990,434	(13,828,990,434)	-	
Total	89,411,484,760	357,028,268,041	446,439,752,801	Total
Non-current liabilities				
Financial Liabilities	82,214,285,044	-	82,214,285,044	Financial Liabilities
Deferred Credits/Unearned Income	598,940,948	(352,769,700)	246,171,248	Deferred Credits/Unearned Income
Total	82,813,225,992	(352,769,700)	82,460,456,292	Total
TOTAL LIABILITIES	172,224,710,752	356,675,498,341	528,900,209,093	TOTAL LIABILITIES
	(141,240,584,187)	(1,869,917)	(141,242,454,104)	TOTAL ASSETS LESS TOTAL LIABILITIES
CAPITAL DEFICIENCY				EQUITY DEFICIENCY/ NET ASSETS/EQUITY
Capital Stock	5,000,000,329	-	5,000,000,329	Contributed Capital
Government equity	7,339,016,547	(7,339,016,547)	-	
Retained earnings (Deficit)	(153,579,601,063)	7,337,146,630	(146,242,454,433)	Accumulated Surplus/(Deficit)
Total	(141,240,584,187)	(1,869,917)	(141,242,454,104)	Total
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	30,984,126,565	356,673,628,424	387,657,754,989	TOTAL LIABILITIES AND EQUITY DEFICIENCY

Reconciliation of Surplus (Deficit)

As at December 31, 2016 (Opening Balance as of January 1, 2017)

	Previously Generally Accepted Accounting Principles	Effect of Transition to PPSAS / Reclassification	PPSAS	
Income				Revenue
General income	170,288,954	29,068,179,003	29,238,467,957	Service and business income
Service income	45,072,362	(45,072,362)	-	-
Business income	28,822,738,469	(28,822,738,469)	-	-
	-	34,176	34,176	Shares, Grants and Donations
Other income	165,669,768	(92,399,736)	73,270,032	Miscellaneous income
Total Revenue	29,203,769,553	108,002,612	29,311,772,165	Total Revenue
Expenses				Expenses
Personnel services	2,010,961,217		2,010,961,217	Personnel services
Maintenance and other operating expenses (MOOE)	1,900,726,877	121,836,487	2,022,563,364	MOOE
Financial expenses	6,028,739,177	(121,836,487)	5,906,902,690	Financial expenses
Cost of Sales	32,107,973,326	-	32,107,973,326	Direct Cost-Cost of Sales
Non-cash expenses	183,581,212	-	183,581,212	Non-cash expenses
Total Expenses	42,231,981,809	-	42,231,981,809	Total Current Operating expenses
Income (Loss) from Operations	(13,028,212,256)	108,002,612	(12,920,209,644)	Surplus/(Deficit) from Current Operations
Other Income/ Expenses				Other Income/ Losses
Gain/(Loss) on ForEx	(83,348,633)	1,518,566,723	1,435,218,090	Gains
Gain/(Loss) on Disposed Assets	1,314,072,261	(1,518,566,723)	(204,494,462)	Losses
Interest Income	108,002,612	(108,002,612)	-	-
Financial Assistance/Subsidy	10,646,651,890	-	10,646,651,890	Financial Assistance/Subsidy
NET INCOME (LOSS) for the PERIOD	(1,042,834,126)	-	(1,042,834,126)	NET SURPLUS/(DEFICIT) for the PERIOD

7. RISK MANAGEMENT OBJECTIVES AND POLICIES

NFA is exposed to the following risks from its use of financial instruments:

- Credit Risk

Credit risk is the risk of default on a debt that may arise from a counterparty failing to make required payments for obligations. In the first resort, the risk is that of the Authority and includes lost principal, disruption to cash flows, and decreased collection efficiency. The loss may be complete or partial.

- Liquidity Risk

Liquidity risk is the risk that the Authority might encounter difficulty in meeting obligation from its financial liabilities.

- Interest/Market Risks

Interest/Market risks is the risk that arises for bond owners from fluctuating interest rates. Interest rate risk for bond depends on how sensitive its price is to interest rate changes in the market.

- Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Authority's operations and are faced by all business entities.

Currently, there is no risk management committee tasked to manage the risk mentioned above.

8. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2018	2017 As Restated
Cash on hand	8,626,175	12,696,503
Cash in bank - local currency	872,753,244	861,486,844
Cash in bank - foreign currency	102,265,330	211,031,294
	983,644,749	1,085,214,641

8.1 Cash in Bank – Foreign Currency

Cash in Bank in Foreign Currency is a dollar savings account deposited in Land Bank of the Philippines (LBP) – NFA Branch. The foreign currency account amounting to US\$1,944,947.31 is revaluated using the December 31, 2018 closing rate of P52.58/US\$1.00 from the BSP. While the December 31, 2017 balance of US\$4,226,543.04 was revaluated using December 31, 2017 closing rate of P49.93/US\$1.00 from the same source.

9. FINANCIAL ASSETS

9.1 Reconciliation of Current Investments

	Sinking fund	Time Deposit	Financial Assets	Total
Balance, 01/01/18	7,011,960,080	157,177,141	611,438,453	7,780,575,674
Additional Investment	27,736,683	-	-	27,736,683
Increase in Investment due to discount/interest earned during the period	23,299,876	2,549,824	10,914,770	36,764,470
Decrease in Investment due to premium on 10yr FXTN	(30,098,228)	-	-	(30,098,228)
Investment collected	(7,032,898,411)	-	(177,450,000)	(7,210,348,411)
Balance, 12/31/18	-	159,726,965	444,903,223	604,630,188

The Current – Financial Assets account includes Development Bank of the Philippines (DBP) Trust-Building worth P312,059,837 and LBP Trust-Building worth P132,843,386.

9.2 Sinking Fund

The NFA established a provision of sinking fund to pay off P8 billion 10-year bond liability. The Sinking Fund Account and the corresponding loan matured on February 8, 2018. (See Note 17.1.2, Item 3)

9.3 Investment in Time Deposit

Investment in Time Deposit in the amount of P159,726,965 is a Time Deposit of Corn Development Fund (CDF) in DBP which consist of 91 days in the amount of P15,258,249 and 360 days in the amount of P144,468,716. It was reclassified from Cash Equivalent in December 2018.

9.4 Financial Assets

	2018	2017 As Restated
DBP Trust- Building	312,059,837	306,043,861
LBP Trust-Building	132,843,386	305,394,592
Total	444,903,223	611,438,453

10. RECEIVABLES

This account consists of the following:

	2018	2017 As restated
Accounts receivable, net	8,612,137	14,033,847
Loans receivable	30,452,895	30,783,848
Inter-agency receivables	1,019,818,271	955,074,502
Other receivables, net	3,175,059,405	3,316,953,091
	4,233,942,708	4,316,845,288

10.1 Accounts Receivables

	2018	2017 As restated
National government agencies (NGAs)	362,536,705	527,813,436
Local government units (LGUs)	119,641,238	140,098,996
Government owned or controlled corporations (GOCCs)	14,942,438	6,176,678
Private corporations	8,526,611	9,673,963
Farmers	5,244,377	5,244,907
Retailers	300,332	281,852
Employees	245,097	230,806
Erap Sari-Sari Store (ESSS) Operators	26,337	28,278
Emergency Cereal Loan Assistance Program (ECLAP)	–	13
	511,463,135	689,548,929
Less: Allowance for impairment	502,850,998	675,515,082
	8,612,137	14,033,847

Accounts Receivable consist mainly of accounts from rice loans of government and private institutions, GOCCs, private corporations, retailers, employees and farmers. Accordingly, an Allowance for Impairment is provided for the receivables. The decrease is attributable to the collection of Accounts Receivable during the current year.

10.2 Loans Receivable

Loans receivables account includes receivables from farmer miller-beneficiaries under the then Agro-processing and Marketing Project Office (APMPO), Private Sector Modernization Scheme (PSMS) Program, the Japan International Cooperation Agency (JICA), Post-Harvest Facilities (PHF) and Farm Level Grain Centers (FLGC).

	2018	2017 As restated
FLGC	17,244,179	18,893,278
PSMS	6,557,981	6,837,832
JICA	5,180,073	3,681,076
PHF	1,470,662	1,371,662
	30,452,895	30,783,848

The increase of P1,498,997 in JICA was due to reclassification from FLGC to JICA made by the PO in Region 5.

10.3 Inter-agency Receivables

	2018	2017 As restated
Due from NGAs	769,688,749	784,702,804
Due from GOCCs	235,365,829	155,608,005
Due from LGUs	14,763,693	14,763,693
	1,019,818,271	955,074,502

10.3.1 Due from NGAs consists of the following:

	2018	2017 As restated
Department of Transportation (DOTr)	738,889,700	738,889,700
Department of Social Welfare and Development (DSWD)	9,524,442	11,062,911
Department of Agriculture (DA)	7,423,039	3,238,222
DA - Intra-agency fund	6,380,485	6,380,485
DA - Certified seeds	1,852,331	1,852,331
East Asia Rice Released	1,734,978	1,734,978
DSWD - Association of Southeast Asian Nations (ASEAN) Plus Three Emergency Rice Reserve (APTERR)	1,352,908	1,495,650
Bureau of Customs (BOC)	1,151,010	1,117,939
Department of Interior and Local Government (DILG)	432,437	432,437
National Disaster Coordinating Council	316,985	316,985
Department of Education, Culture and Sports (DECS) - Food for School Program	222,736	12,868,082
Bureau of Postharvest Research and Extension (BPRE)	114,122	114,122
Office of Civil Defense (OCD)	107,500	107,500
Bureau of Internal Revenue (BIR)	91,250	95,626
Bureau of Agricultural Statistics	43,854	43,854
Department of Education (DepEd)	22,650	22,650
Department of Budget and Management - Procurement Service (DBM-PS)	21,481	287,824
Bureau of Soils and Water Management	6,841	6,841
Due from NGA - Region 13	—	4,634,667
	769,688,749	784,702,804

The DOTr account represents the balance of P540.651 million or 30 per cent balance from the sale of South District Office (SDO) properties, P108.130 million or six per cent Capital Gains Tax and P90.109 million or five per cent Fair Market Value Tax for the total amount of P738.890 million

The BPRE account represents unliquidated balance from DA funded program for the Mechanical Dryer/Grains Procurement and Enhancement Program (GPEP) Post Harvest Facility Assistance Fund.

The DBM-PS account represents fund transfer of the purchase of supplies and materials.

10.3.2 Due from GOCCs consists of the following:

	2018	2017 As restated
GSIS	119,360,812	119,360,812
LBP	80,140,000	–
Quedan Guarantee Fund Board (QGFB)	35,602,034	35,571,645
Philippine International Trading Center	355,773	355,773
Manila International Airport	–	382,176
FTI	(38,170)	(38,170)
Grains Insurance Corporation (GRAINSCOR)	(81,751)	(81,751)
Others	27,131	57,520
	235,365,829	155,608,005

The negative balances are the accounts of Region XIII which are for reconciliation and reclassification to the proper accounts.

10.3.3 Due from LGUs consists of the following:

	2018	2017 As restated
Nueva Ecija	13,478,718	5,469,190
Pampanga	708,029	–
Aurora	400,000	–
National Farmers Advisory Council (NFAC)	101,745	101,745
Bukidnon	75,201	9,192,758
	14,763,693	14,763,693

The Provincial Government of Nueva Ecija account represents unliquidated balance from DA funded program for the Mechanical Dryer/GPEP Post Harvest Facility Assistance Fund.

The NFAC account represents unliquidated advances for the Grains & Irrigation Water Assessment & Farmers Consultative Workshop.

In 2018, the following adjustments were effected in the accounts of Due from LGUs:

	Balance
Bukidnon, Balance, 12/31/2017	9,192,758
<i>Adjustments:</i>	
<i>Nueva Ecija</i>	8,009,528
<i>Pampanga</i>	708,029
<i>Aurora</i>	400,000
Bukidnon, Balance, 12/31/2018	75,201

10.4 Other Receivables

	2018	2017 As restated
Due from officers & employees	2,979,316,626	3,145,395,008
Other receivables	177,925,837	152,925,557
Receivables - disallowances/charges	18,646,335	19,567,781
	3,175,888,798	3,317,888,346
Less: Allowance for impairment - Other receivables	(829,393)	(935,255)
	3,175,059,405	3,316,953,091

The Due from Officers and Employees account includes: Collectibles from officers and employees who availed of travelling expenses in advance; Educational Loan Assistance, Special Loan Assistance -Calamity Loan P5,000 & P20,000, and Special Vehicle Loan; and Receivables from Stock Accountable Officers categorized into:

Account Code	Account Name	Amount
06AIV	NFA Stock Accountable Officer's Accountabilities- For Tolerable Allowance (TOLA) Computation-(Title IV)	388,682,333
06AV	NFA Stock Accountable Officer's Accountabilities- Stocks-W/ TOLA computation-(Title V)	9,922,193
06AVI	NFA Stock Accountable Officer's Accountabilities- Stocks-w/ Unresolved Appeal-(Title VI)	35,919,429
06BII	NFA Stock Accountable Officer's Accountabilities- w/ Management examination-(Title II)	249,428,326
06BIII	Due from Officers and Employees-Accountabilities w/ COA examination-(Title III)	171,010,846
06CI.1	NFA Stock Accountable Officer's Accountabilities w/o stock examination (stocks & MTs)-Past-(Title I)	1,150,492,938
06CI.2	NFA Stock Accountable Officer's Accountabilities- On-going - (Title I)	24,890,427
09VIII	Final Shortages/With Resolved Appeal- No Longer connected w/ NFA (Title VIII)	904,297,542
Total		2,934,644,034

The balance of Other Receivables as at December 2017 was restated due to the following accounts: The Educational Loan Assistance, Special Loan Assistance -Calamity Loan P5,000 & P20,000, and Special Vehicle Loan were reclassified from Due from Officers & Employees to Other Receivables. Stock Accountable Officers were reclassified from Other Assets to Due from Officers and Employees in the amount of P2,934,644,034 in compliance to the RCA.

The Receivables – Disallowances /Charges includes disallowance in audit of the salaries and wages, allowances and travel of former NFA employees.

11. INTRA-AGENCY RECEIVABLES

	2018	2017 As restated
Due from CO	137,735,593,573	134,946,307,848
Due from RO	39,151,820,525	39,395,657,944
Due from Operating Units (OUs)	123,289,112,740	126,123,270,507
	300,176,526,838	300,465,236,299

This account includes inter-branch transactions between the CO, RO, POs within the region and POs outside the region. An increase is due to inter-branch transactions not yet closed to government equity.

Intra-Agency Receivables and Payables represent the receipt of funds and other assets like supplies, inventories, equipment, etc. for use in NFA CO, ROs and POs and are recorded as receivables (Due from) in the issuing office and payables (Due to) by the receiving office.

These accounts are being reverted and closed to Equity accounts after the originating office acknowledges and confirms the reconciliation of accounts with NFA ROs/POs.

The Inter-branch accounts were recorded from alphanumeric codes (Region plus Province Name) into Unified Account Codes Structure (UACS). Then, all inter-branch accounts were reclassified to Due from CO, Due from RO and Due from OUs. Old inter-branch accounts were restated into their respective account codes. Thus, Due from RO-(BOCA), Due from RO-(ROA) and Due from RO-(ROTA) are now combined to Due from RO. Due from OUs-(BOTA), Due from OUs-(ROCA), Due from OUs-(HOCA) and Due from OUs-(POA) are now combined to Due from OUs.

12. INVENTORIES

This account consists of:

	2018	2017 As restated
Inventory held for sale, net	2,206,680,688	3,266,443,914
Inventory held for manufacturing	1,208,723,833	263,409,825
Inventory held for consumption	297,749,445	342,137,658
Semi-expendables	16,735,621	17,650,820
	3,729,889,587	3,889,642,217

12.1 Inventory Held for Sale

	2018	2017 As restated
Merchandise inventory (MI)	2,204,163,886	3,270,005,192
Allowance for impairment	2,516,802	(3,561,278)
	2,206,680,688	3,266,443,914
		Amount
Allowance for Impairment-MI, 12/31/2017		(3,561,278)
Adjustments:		
Set-Up Allowance in 2018		(9,094,706)
Debit adjustment made by Region 14*		15,172,786
Allowance for Impairment-MI, 12/31/2018		2,516,802

*The debit adjustment made by Region 14 was reversed on January 2019 as per JEV No. CGJ-01-001.

The MI consists of local and imported rice on hand that are held for sale or for distribution to retailers and for projects of NGAs such as DSWD, DepEd, OCD, National Disaster Risk Reduction and Management Council (NDRRMC), GOCCs and LGUs.

To be comparable with 2017 figures, adjustments from Other Assets – Damaged Grains amounting to P107,810,105 were reclassified to MI – Damaged Grains.

12.2 Inventory Held for Manufacturing

	2018	2017 As restated
Raw materials (RM)	1,218,585,661	282,595,515
Allowance for impairment	27,319,124	23,720,460
Net	1,191,266,537	258,875,055
Work-in-process (WIP)	17,457,296	4,534,770
	1,208,723,833	263,409,825

RM inventory consists of palay procured and stored on hand. WIP inventory consists of RM (palay) for milling or is in the process of milling.

12.3 Inventory Held for Consumption

This account consists of supplies which are used in the ordinary course of NFA operations such as the following:

	Balance, 01/01/2018	Additions/Acquisitions/ Expensed/Adjustments during the year	Balance, 12/31/18
Other supplies and materials	244,539,362	(33,419,976)	211,119,386
Agricultural supplies	42,185,787	(4,876,893)	37,308,894
Accountable forms, plates and stickers	25,906,818	(2,193,521)	23,713,297
Office supplies	13,106,933	2,228,111	15,335,044
Construction materials	10,433,074	(7,007,840)	3,425,234
Medical, dental and laboratory supplies	2,968,494	381,234	3,349,728
Fuel, oil and lubricants	750,164	643,658	1,393,822
Electrical supplies and materials	1,307,591	(120,158)	1,187,433
Drugs and medicine	800,782	(74,192)	726,590
Linens and beddings	106,351	22,855	129,206
Non-accountable forms	32,302	28,509	60,811
	342,137,658	(44,388,213)	297,749,445

The Sticker and Metal Plates previously under Other Supplies and Materials Inventory in the amount of P2,409,419 were reclassified to Accountable Forms, Plates and Stickers Inventory Account to conform with the RCA classification pursuant to COA Circular No. 2016-006 dated December 29, 2016.

12.4 Semi-expendables

These are tangible items costing below the capitalization threshold of P15,000. These are recognized as expenses when issued to the end-user.

	Balance, 01/01/2018	Additions/Acquisitions/ Expensed/Adjustments during the year	Balance, 12/31/18
Semi-expendable – communication equipment	11,934,995	152,873	12,087,868
Semi-expendable – furniture and fixtures	2,978,542	(806,518)	2,172,024
Semi-expendable – office equipment	1,857,012	(976,168)	880,844
Semi-expendable – technical and scientific equipment	135,806	402,518	538,324
Semi-expendable – IT equipment	196,035	301,416	497,451
Semi-expendable – other machinery and equipment	99,074	166,979	266,053
Semi-expendable – kitchen equipment	180,740	(11,458)	169,282
Semi-expendable – disaster response and rescue equipment	159,060	(58,760)	100,300
Semi-expendable – sports equipment	14,795	-	14,795
Semi-expendable – machinery	9,908	(1,228)	8,680
Semi-expendable – books	84,853	(84,853)	-
	17,650,820	(915,199)	16,735,621

13. OTHER ASSETS

13.1 Current and Non-current Other assets

	2018	2017 As restated
Current other assets		
Advances		
Advances to Special Disbursing Officer (SDO)	3,364,902	(867,050)
Advances to Officers and Employees	400,339	1,817,946
Advances for operating expenses	15,000	12,212
	3,780,241	963,108
Prepayments		
Advances to contractors	76,543,992	4,042,324
Prepaid rent	3,924,125	3,924,125
Prepaid insurance	1,935,368	1,159,081
Other prepayments	38,308	487,298
	82,441,793	9,612,828
Deposits		
Guaranty deposits	57,254,761	57,526,492
Other assets	98,387,027	93,729,634
	241,863,822	161,832,062
Non-current other assets		
Restricted fund/assets	54,802,783	54,802,783
Other assets	1,244,286,288	1,234,481,108
	1,299,089,071	1,289,283,891
	1,540,952,893	1,451,115,953

13.1.1 Advances

Advances to SDO account includes the amount granted to Accountable Officer (AO) for special purpose/time-bound undertakings.

Advances to Officers and Employees account includes the amount granted to officers and employees for official travels to be liquidated within a specified period and/or within 30 calendar days upon arrival from travel.

Advances for Operating Expenses account includes the amount granted to Disbursing Officer for operating expenses of different departments of NFA – CO not maintaining complete set of books.

13.1.2 Prepayments

Advances to Contractors account includes Mobilization Infrastructure P76,541,994 and Communication Services worth P1,998.

Prepaid Rent represents rental to Amberland Corporation, Solid Triangle Sales Corp. and Sugar Regulatory Administration in the amount of P2.026 million, P1.711 million and P0.160 million, respectively, at the CO, and P0.027 at the FOs.

Prepaid Insurance represents set-up for the insurance premium of various NFA Service Vehicles.

Other prepayments represent advance payments for Internet Security Gateway Appliance for Data Center, various LTO Registration Fees and others.

13.1.3 Guaranty Deposits represents deposits on the following utilities and facilities:

	2018	2017 As restated
Facilities	50,825,181	50,941,024
Light and water	3,443,746	3,779,649
Court cases	1,461,207	1,461,207
Containers	1,003,410	833,096
Telephone installation	339,321	351,606
Leased equipment	181,896	176,896
Gas and oil	-	(16,986)
	57,254,761	57,526,492

The security deposits amounting to P6.077 million and P5.135 million, respectively, for the office building rental with Amberland Corporation and Solid Triangle Sales Corporation could not yet be refunded due to the pending case in court handled by the Office of the Government Corporate Counsel (OGCC).

13.1.4 Restricted Fund

Restricted Fund/Assets account represents garnished accounts being held by PNB Account for Corn and Imported Rice Collections for P7,512,027 and P47,290,756, respectively. The accounts have been held in escrow pursuant to the Court order in connection with the case entitled “NFA vs. PSF Watchman and Investigation Services” filed before RTC Quezon City Branch 220 and docketed as Case No. Q-95-25735. The claim of PSF Watchman and Investigation Services under said case was denied for lack of merit by the Supreme Court in its decision in G.R. No. 171582. Hence, NFA cannot be held liable for any of PSF Watchman Security Agency’s claim. NFA requested PNB on September 20, 2018 for the lifting of the hold orders on the garnished accounts. Also, NFA requested the OGCC on September 21, 2018 for assistance to secure corresponding order from the court to lift the order of garnishment.

13.1.5 Other Assets

Other Assets account includes the equipment and implements – Agro-processing and Marketing Project Office (APMPO) which represents the inventory of equipment to be utilized solely for the improvement/modernization and installation of farmers’ equipment such as rubber rolls, mechanical dryers and rice mill components.

14. NON-CURRENT FINANCIAL ASSETS

14.1 Reconciliation of Non - Current Financial Assets

	Investment in Stocks	Other Investments	Total
Balance, 01/01/18	501,376,887	15,450,593	516,827,480
Increase in Investment due to discount/interest earned during the period	-	-	-
Investment collected	(1,100)	-	(1,100)
Balance,12/31/18	501,375,787	15,450,593	516,826,380

14.2 Investment in Stocks

Investment in Stocks in Food Terminal, Inc. (FTI) in the amount of P500 million was recognized in the books of NFA pursuant to Section 8 of PD No. 1770 dated January 14, 1981, which provided that the investments and loans as well as related obligations incurred by the Human Settlements Development Corporation (HSDC) in the FTI shall be transferred to the NFA.

	2018	2017 As Restated
FTI	500,000,000	500,000,000
Gasifier and Equipment Manufacturing Corporation	1,242,000	1,242,000
Philippine Long Distance Company	67,157	68,257
Celebrity Sports Plaza	35,000	35,000
Manila Electric Company	31,630	31,630
	501,375,787	501,376,887

14.3 Other Investments

This account consist of investment and membership in the following companies and associations:

	2018	2017 As Restated
Center for International Trade Expositions and Missions (CITEM)	14,745,735	14,745,735
National Food Authority - Employee Association (NFA-EA)	407,200	407,200
DBP Trust	179,158	179,158
Quezon City Sports Club	70,000	70,000
Capitol City Sports Club	22,500	22,500
Philippine Columbian Association	16,000	16,000
Kutowato	10,000	10,000
	15,450,593	15,450,593

15. PROPERTY, PLANT AND EQUIPMENT

Additions/acquisitions/adjustments include items that were acquired during the year, capitalized expenditures and receipt of assets and transfers to and from the CO, RO and PO. Other adjustments include the reclassification of PPE to semi-expendable with acquisition cost below P15,000 effected in the year 2016 to 2017.

CY 2018 -

	Land	Land Improvements*	Buildings and Structures**	Furniture, Fixtures, Equipment, Books	Construction in Progress	Total
Cost, 12/31/17	314,929,853	282,108,599	2,569,843,640	2,175,288,704	102,911,711	5,445,082,507
Additions/acquisitions/disposals/transfers/adjustments	(10,217,617)	17,238,919	124,154,007	(31,310,917)	(29,081,048)	70,783,344
Cost, 12/31/18	304,712,236	299,347,518	2,693,997,647	2,143,977,787	73,830,663	5,515,865,851
Accum. Depr., 12/31/17	-	168,918,047	1,475,367,984	1,649,924,812	-	3,294,210,843
Depr. and depletion - 2018	-	10,231,655	66,366,103	98,103,510	-	174,701,268
Adjustments - 2018	-	1,221,868	49,768,384	(74,022,183)	-	(23,031,931)
Impairment Loss	-	37,268	577,911	71,310	-	686,489
Accum. Depr., 12/31/18	-	180,408,838	1,592,080,382	1,674,077,449	-	3,446,566,669
Net book value, 12/31/18	304,712,236	118,938,680	1,101,917,265	469,900,338	73,830,663	2,069,299,182

* includes leasehold improvements on land amounting to P24.143 million.

** includes leasehold improvements on buildings amounting to P14.134 million.

CY 2017 -

	Land	Land Improvements*	Buildings and Structures**	Furniture, Fixtures, Equipment, Books	Construction in Progress	Total
Cost, 12/31/16	314,370,370	249,904,100	2,484,634,471	2,138,013,769	72,002,739	5,258,925,449
Additions/acquisitions/disposals/transfers/adjustments	559,483	32,204,499	85,209,169	37,274,935	30,908,972	186,157,058
Cost, 12/31/17	314,929,853	282,108,599	2,569,843,640	2,175,288,704	102,911,711	5,445,082,507
Accum. Depr., 12/31/17	-	160,315,250	1,407,011,752	1,551,316,138	-	3,118,643,140
Depr. And depletion - 2017	-	8,602,797	68,356,232	98,608,674	-	175,567,703
Accum. Depr., 12/31/17	-	168,918,047	1,475,367,984	1,649,924,812	-	3,294,210,843
Net book value, 12/31/17	314,929,853	113,190,552	1,094,475,656	525,363,892	102,911,711	2,150,871,664

* includes leasehold improvements on land amounting to P23.972 million.

** includes leasehold improvements on buildings amounting to P14.375 million.

***Composed of Machineries & Equipment, Communication Equipment, Disaster Response and Rescue Equipment, Medical Equipment, Sports Equipment and Technical & Scientific Equipment, Furniture and Fixtures, Books, Office Equipment, Information & Communication Equipment, Technology Equipment, Kitchen Equipment, Electric Equipment, Motor Vehicle, Other Transportation Equipment and Other Property, Plant and Equipment.

At CO, Leased Assets Improvement includes improvement in the Basketball Court located at SRA Compound.

16. INTANGIBLE ASSETS

The Construction in Progress – Computer Software Account was reclassified to Development in Progress – Other Intangible Assets - Computer Program Account amounting to P1,931,260 to conform with the RCA classification pursuant to COA Circular No. 2016-006 dated December 29, 2016.

The Development in Progress – Other Intangible Assets pertains to e-IFOMIS (Electronic Integrated Financial and Operations Management Information System). It is a computerized system that is integrated to the whole financial and operation system of NFA. Each module within the system interacts with each other, thus, bringing better management information.

17. FINANCIAL LIABILITIES

17.1 Payables

This account consists of the following:

	2018		2017	
	Current	Non-current	Current	Non-current
Notes payable	40,620,633,060	-	38,040,566,949	-
Loans payable- domestic	11,552,000,000	51,018,119,395	19,552,000,000	62,570,119,395
Accounts payables	5,588,401,533	-	2,849,259,422	-
Interest payable	4,145,040,526	-	2,893,451,352	-
Due to officers and employees	304,723,261	-	210,850,542	-
Loans payable- foreign	12,824,647	76,947,882	11,972,866	83,810,062
	62,223,623,027	51,095,067,277	63,558,101,131	62,653,929,457

17.1.1 Notes Payable

This account consists of the following:

	2018	2017
DBP	21,171,273,482	20,991,460,453
LBP	19,449,359,578	17,049,106,496
	40,620,633,060	38,040,566,949

17.1.2 Loans Payable – Domestic

This account consists of the following:

	2018		2017	
	Current	Non-Current	Current	Non-Current
1. Ten-year notes/loans from different banks syndicated by DBP and LBP dated November 28, 2011; due date - November 28, 2021:				
Banco de Oro Unibank, Inc.	3,710,200,000	14,270,000,000	3,710,200,000	17,980,200,000
Bank of the Philippine Islands	1,950,000,000	7,500,000,000	1,950,000,000	9,450,000,000
LBP	1,300,000,000	4,000,000,000	1,300,000,000	5,040,000,000
China Banking Corporation	1,066,000,000	4,100,000,000	1,066,000,000	5,166,000,000

	2018		2017	
	Current	Non-Current	Current	Non-Current
DBP	1,040,000,000	5,000,000,000	1,040,000,000	6,300,000,000
Philippine National Bank	390,000,000	1,500,000,000	390,000,000	1,890,000,000
Metropolitan Bank & Trust Company	237,900,000	915,000,000	237,900,000	1,152,900,000
Mizuho Corporate Bank Ltd.	55,900,000	215,000,000	55,900,000	270,900,000
	9,750,000,000	37,500,000,000	9,750,000,000	47,250,000,000
2. Ten-year notes/loans syndicated by DBP and LBP dated October 29, 2014; due date - October 29, 2024:				
LBP	-	4,500,000,000	-	4,500,000,000
DBP	-	4,500,000,000	-	4,500,000,000
	-	9,000,000,000	-	9,000,000,000
3. Loans from Republic of the Philippines (ROP) ROP long-term notes – BTr dated February 8, 2008; due date - February 8, 2018 (callable year 2013), interest 6.75 per cent (fixed rate)				
	-	-	8,000,000,000	-
4. LBP dated December 23, 2009; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, Philippine Dealing System Treasury Fixing (PDSTF) + fixed spread of 1 per cent with quarterly repricing, 5.1423 per cent for the first quarter				
	540,000,000	1,080,000,000	540,000,000	1,620,000,000
dated January 14, 2010; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, PDSTF + fixed spread of 1 per cent with quarterly repricing, 5.1369 per cent for the first quarter				
	450,000,000	1,012,500,000	450,000,000	1,462,500,000
dated January 7, 2010; due date- December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, Philippine Dealing System Treasury Fixing (PDSTF) + fixed spread of 1% with quarterly repricing, 5.1423% for the first quarter				
	410,000,000	922,500,000	410,000,000	1,332,500,000
dated January 14, 2010; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, PDSTF + fixed spread of 1 per cent with quarterly repricing, 5.1435 per cent for the first quarter				
	400,000,000	900,000,000	400,000,000	1,300,000,000
	1,800,000,000	3,915,000,000	1,800,000,000	5,715,000,000
5. CDF For the Dryermat and Corn Center Project				
	2,000,000	2,500,000	2,000,000	4,500,000
6. DBP – Mindanao Progress Corporation (MinProCor) Acquired assets from Minprocor properties				
	-	91,200,000	-	91,200,000
7. Human Settlements Development Corporation – P553.824 million, interest free, payable in 25 years (quarterly payment)				
	-	509,093,711	-	509,093,711
8. Agrarian Credit Line				
	-	205,000	-	205,000
9. Ministry of Agriculture & Food interest of 3 per cent per annum payable every 6 months. Dept. of National Agricultural Productivity Program (NAPP) loan granted to NFA for procurement operations				
	-	120,684	-	120,684
Total	11,552,000,000	51,018,119,395	19,552,000,000	62,570,119,395

17.1.3 Accounts Payable

Accounts Payable account includes expenses due for payment to supplier of goods and services which are already incurred but not yet paid during the current year, such as general services, telephone bills, security services, handling, trucking, repairs and maintenance projects, utilities, purchased of goods or services on account and other obligations in connection with the agencies' operation/trade/business, as follows:

	2018	2017
Private institutions/contractors	5,534,749,043	2,792,766,266
PLDT, Smart, Globe, etc.	46,621,672	58,213,034
Grains direct procurement	7,030,818	(1,719,878)
	5,588,401,533	2,849,259,422

17.1.4 Interest Payable

This account consists of the following:

	2018	2017
Bureau of the Treasury (BTr) net lending	3,521,913,191	2,290,323,401
LBP	233,822,038	100,438,198
DBP	182,439,489	56,546,395
1995 Japanese rice loan	1,144,600	1,221,233
Various banks	205,721,208	444,922,125
	4,145,040,526	2,893,451,352

17.1.5 Due to Officers and Employees

Due to Officers and Employees account are recognized upon the incurrence of liability to officers and employees for salaries, benefits and other emoluments including the authorized expenses paid in advance by the officers and employees. A significant increase on this account is due to accrual of personnel services such as salary differential, overtime differential, terminal leave benefit, money value of earned leave (vacation and sick), Collective Negotiation Agreement (CNA) Incentive, other payable to employees including Group Hospitalization Insurance Program (GHIP), Provident Fund and Self-Administered Bereavement Assistance Program (SABAP). Below are the details:

	2018	2017
Personal services & MOOE	246,384,764	179,047,444
Provident fund (Employer's Share)	30,383,734	1,059,835
40% COLA differential (Under Recon)	17,238,366	17,019,525
Calamity loan assistance program	5,481,264	5,471,850
Payment of shortage under protest	4,114,198	6,502,726
Bereavement assistance program	752,014	683,918
Hospitalization assistance program	203,527	731,534
Remuneration	188,277	187,976
Group Term Life Insurance (GTLI)	174	51,810
SABAP	-	183,677
Group Accident Insurance Premium (GAIP)	(3,823)	-
Executive health program	(19,234)	(89,753)
	304,723,261	210,850,542

17.1.6 Current Loans Payable – Foreign

This account consists of foreign loans, as follows:

	2018		2017	
	Current	Non-Current	Current	Non-Current
1. 1995 Japanese Rice Loan – Y541.355 million at 2 per cent on the 1 st to 10 th year and 3 per cent per annum from 11 th to 30 th year (with 10 years grace period) annual installments of Y27.068 million starting July 31, 2006 to July 31, 2025	12,824,647	76,947,882	11,972,866	83,810,062
Total	12,824,647	76,947,882	11,972,866	83,810,062

Loans Payable – Foreign represents 1995 Japanese Rice Loan - ¥541.355 million dated August 16, 1995. The rate of interest was two per cent per annum on the 1st to 10th year initial grace period and three per cent per annum from 11th to 30th year. With 10 years grace period, the annual installments of Y27.068million started on July 31, 2006 to July 31, 2025; and overdue interest of 0.023 per cent per day for a period from the following dater after the due date to the day of actual payment.

The balance of principal loan as at December 31, 2018 amounted to ¥189,474,117.00 with conversion rate of US\$1 =P52.58/ ¥ 0.009011

18. INTER-AGENCY PAYABLES

This account consists of the following:

	2018	2017 As restated
Due to National Treasury	46,018,982,126	39,301,148,253
Due to other NGAs	1,675,869,303	2,896,939,129
Due to GSIS	72,459,826	73,638,048
Due to GOCCs	53,891,307	53,040,276
Due to BIR	25,537,722	27,555,600
Due to LGUs	13,909,142	7,290,986
Due to Pag-IBIG	1,039,381	1,217,941
Due to PhilHealth	500,304	458,551
	47,862,189,111	42,361,288,784

18.1 Due to National Treasury

This account consists of the following:

	2018	2017
Net lending program	37,130,062,780	30,579,117,580
Guarantee fee	8,374,533,390	8,211,701,072
COA audit services	451,431,437	447,387,832
USPL 480 Iron Fortified Rice	46,223,010	46,223,010
USPL 480 Rice	9,534,832	9,534,832
USPL Title I	7,840,256	7,840,256
Countrywide Development Fund	881,582	881,582
Priority Development Assistance Fund	40,000	40,000
China rice I	37,940	37,940
Fidelity Bond	12,750	–
Australian rice	(1,615,851)	(1,615,851)
	46,018,982,126	39,301,148,253

The BTr- Net Lending Program account represents net advances availed from BTr in the settlement of various maturing loan obligations of NFA.

The Guarantee Fee account represents set-up of payables for the outstanding balance of loan availments of NFA to various creditors.

The COA audit services account represents set-up of payables for the audit services rendered by COA.

The USPL 480 Iron Fortified Rice account represents unremitted amount to the BTr for the sale on the purchased 2,850 Metric Tons or 57,000 bags of US Iron Fortified Rice.

The Countrywide Development Fund account represents cash allotment given to various legislators for the purchase of rice for distribution to their assigned beneficiaries, to wit:

	2018	2017
Cezar, Homobono	300,000	300,000
Bondoc, Egmedio	237,500	237,500
Caloocan	181,357	181,357
Gonzales, Pacita	52,450	52,450
Adiong, Mamintal	52,000	52,000
Mercado, Orlando	47,625	47,625
Mercado, Roger	10,650	10,650
	881,582	881,582

USPL 480 Title I/Australian Rice/China Rice accounts occurred since 1988 and still for reconciliation due to lack of supporting documents.

18.2 Due to Other NGAs

This account consists of the following:

	2018	2017
Bureau of Customs (BOC)	1,611,998,834	2,943,922,029
DA	53,479,207	52,839,684
Bureau of Corrections	4,938,750	4,938,750
DSWD	3,605,626	(106,215,468)
Australian Imported Rice	1,150,886	1,150,886
National Printing Office	360,000	—
OGCC	336,000	—
National Labor Relation Commission	—	303,248
	1,675,869,303	2,896,939,129

Due to BOC account represents Customs Duties (set-up of tariff expenses) on the importation of sugar in 1999 to 2002 and rice for 2018.

Due to DA account consists of the following:

	2018	2017
DSWD Donated US Rice	12,354,036	10,888,828
Chinese Yellow Corn	11,078,610	11,078,610
Rapid Seed Supply Financing Project	8,857,225	8,849,744
Donated Vietnam Rice	6,226,830	6,226,830
President Social Fund	3,330,000	94,560
Bureau of Agricultural Research (BAR)	1,946,083	5,824,334
Certified Seeds Program	1,476,138	1,375,730
Agricultural Credit Policy Council (ACPC)	1,261,019	1,261,020
Shallow Tube Well	1,232,551	588,192
DA	1,142,068	1,818,408
National Agricultural & Fishery Council	734,064	734,063
Rural Field Unit	612,166	–
Agricultural Development Fund	577,756	577,756
Grains Production Enhancement Program	565,320	565,320
Corn Block Farming	546,001	546,001
Livestock Development Council	467,063	467,063
DA - Multi-Purpose Cooperative	324,579	324,309
Ginintuang Masaganing Ani	192,507	192,507
National Post Harvest Institute for Research and Extension (NAPHIRE) - Special Vehicle Loan Fund	184,136	184,135
National Agricultural & Fishery Council - Consultative Fund	182,091	182,091
National Meat Inspection Service	75,000	–
Corn Plus Program	57,475	57,475
Philippine Rice Post Production	41,871	410,000
Integrated Livelihood Program	7,931	7,931
Bureau of Soil and Water Management	6,687	6,687
Agri-Pinoy Rice Processing	–	(97,755)
PHF	–	252
Golden Farmer Trading	–	44,871
Rehab of Post-Harvest Facility - Pablo	–	630,722
	53,479,207	52,839,684

The BAR account consists of the following:

	2018	2017
Effect of climate change on levels of Arsenic and Cadmium	1,381,829	3,096,597
BAR	564,254	564,254
Philippine seafoods for export	–	98,105
Monitoring pesticides residues in mango, rice, fruits and vegetables	–	2,064,698
Improving the quality and shelf life of Tupig	–	680
	1,946,083	5,824,334

The ACPC account represents collections from FOs for Intensified Rice Production Program (IRPP) and National Soy Bean Production Program Loans Receivables since November 1995.

The NAPHIRE account represents Special Vehicle Loan Fund from NAPHIRE since prior to year 2005.

18.3 Due to GSIS

Due to GSIS account represents unremitted employees' premium payments and other payables to the GSIS, as follows:

	2018	2017
Unclassed Vessel Charges	29,751,712	29,751,712
Overage Premium Rice	19,110,939	19,110,939
Marine Insurance	11,855,496	11,157,263
Life and Retirement Premium	6,622,177	9,308,403
Conso Loan	2,377,967	2,403,011
Enhanced Salary Loan	1,750,585	1,189,156
Emergency Loan Assistance	441,114	407,998
Salary Loan	347,806	-
Real Estate Loan	83,077	90,907
Educational Assistance	54,175	17,026
Unlimited Optional Insurance Premium	35,355	7,804
Ecard	33,744	18,901
Travel Accident Insurance	30,061	37,062
Policy Loan	23,659	93,876
Edu-Child tie up w Prudential Plans Inc.	11,460	21,914
Optional Insurance Premium	9,733	131,638
Genesis Plan	5,675	5,952
Ecard Plus	4,729	149
Ecard Cash Advance	3,777	1,550
Study Now Pay Later	2,951	1,857
Fly Now Pay Later	178	178
Stocks Premium	-	(208)
College Education Insurance	(1,318)	4,582
Hospital Insurance Plan	(17,282)	(18,064)
Fire Insurance Premium	(24,356)	1,464
Vehicle Insurance Premium	(65,588)	(78,822)
	72,459,826	73,638,048

Compliance with GSIS law, RA No. 8291

The NFA complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to GSIS the employees' and the government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2018:

	Withheld	Remitted	Balance
Life and retirement premiums, employees share	125,119,927	122,292,257	2,827,670
Government share	-	164,116,603	-
	125,119,927	286,408,860	2,827,670

18.4 Due to GOCCs

This account consists of the following:

	2018	2017
Sugar Regulatory Administration (SRA)	40,999,457	40,269,946
Quedan and Rural Credit Guarantee Corporation (QUEDANCOR)	4,057,601	4,061,013
Grains Insurance Corporation	7,531,661	7,597,441
Philippine Amusement Gaming Corporation	644,371	560,700
Philippine Charity Sweepstakes Office (PCSO)	290,564	290,564
Philippine Ports Authority (PPA)	168,998	159,447
Philippine International Trading Corporation (PITC)	125,488	125,488
Philippine Crop Insurance Corporation (PCIC)	37,371	37,371
National Home Mortgage Finance Corporation (NHMFC)	36,393	1,960
Water Districts	(597)	(597)
LBP	-	(63,057)
	53,891,307	53,040,276

The SRA account represents set-up of payables to SRA for the office space rental, water consumption and electrical consumption at CO while P19.590 million pertains to liens accrued for raw sugar importation of Region IV.

The QUEDANCOR account represents the P0.40/kgs share of QUEDANCOR-CDF from the proceeds of sales of the 350,000 MT importation of yellow corn in 2004.

The NHMFC account represents unremitted set-up of payables for the housing loan of NFA employees.

18.5 Due to BIR

Due to BIR account represents the unremitted taxes withheld from officers/employees, contractors, and other entities, as follows:

	2018	2017
Value added tax	8,217,361	5,114,983
Employees withholding tax	7,404,630	16,287,667
Percentage tax	4,347,306	3,100,508
Contractors tax	2,729,645	589,521
Expanded tax	1,982,386	2,251,802
Franchise tax	710,127	62,526
Final tax	146,117	131,589
Registration Tax	150	-
Sales tax	-	17,004
	25,537,722	27,555,600

18.6 Due to Pag-IBIG

This account represents unremitted employees' premium payments and other payables to the Home Development Mutual Fund (HDMF), as follows:

	2018	2017
Premium	561,183	616,100
Real estate loan	307,119	(71,636)
Multi-purpose loan	139,114	42,816
Provident loan	20,193	40,937
Modified 2 Premium Savings	11,100	-
Emergency loan	672	589,724
	1,039,381	1,217,941

18.7 Due to PhilHealth

Due to Philhealth account represents unremitted employees' premium payments to the Philippine Health Insurance Corporation (PHIC).

19. INTRA-AGENCY PAYABLES

	2018	2017 As restated
Due to CO (HOA)	154,584,281,875	148,549,183,968
Due to OUs- Province	129,439,684,324	133,721,903,356
Due to RO	16,150,830,409	18,195,663,553
	300,174,796,608	300,466,750,877

The account consists of payables/obligations to and by CO and concerned FOs. These accounts are being reverted and closed to Government Equity once the originating office acknowledges and confirms the advices (reconciliation of accounts) with NFA's regional and POs. A decrease in amount is due to monthly reconciliation and any reconciled transactions were closed to Government Equity.

Intra-Agency Receivables and Payables account represents the receipt of funds and other assets like supplies, inventories, equipment, etc. for use in NFA CO, ROs and POs and are recorded as receivables (Due from) in the issuing office and payables (Due to) by the receiving office.

These accounts are being reverted and closed to Equity accounts after the originating office acknowledges and confirms the reconciliation of accounts with NFA ROs/POs.

The Inter-branch accounts were recoded from alphanumeric codes (Region plus Province Name) into Unified Account Codes Structure (UACS). Then, all inter-branch accounts were reclassified to Due to CO, Due to RO and Due to OUs. Old inter-branch accounts were restated into their respective account codes. Thus, Due to RO-(BOCA), Due to RO-(ROTA), and Due to RO-(ROA) are now combined to Due to RO. Due to OUs-(HOCA), Due to OUs-(ROCA), Due to OUs-(BOTA), and Due to OUs-(POA) are now combined to Due to OUs.

20. TRUST LIABILITIES

	2018	2017 As restated
Trust liabilities	382,200,637	370,964,147
Customers' deposits payable	218,092,566	542,742,586
Guaranty/security deposits payable	73,525,200	62,971,324
	673,818,403	976,678,057

Trust Liabilities account pertains to payable due to institution, corporation or individual. It also pertains to the retention fee from various suppliers that were contracted by the NFA to perform services and/or for delivery of such goods. The account includes, among others, the following:

- a. NFA-EA Canteen account represents deductions/collections from employees for loans and contributions to NFA-EA which are remitted to the Association before month-end of the applicable billing period.
- b. Provident Fund represents deductions/collections from employees for contributions and loans from NFA Provident Fund, Inc. which are remitted to the Fund before month-end of the applicable billing period. This account is a savings, mutual benefit and retirement plan established by NFA for its officials and employees in the active service with contribution of employees and government share of two per cent and four per cent of basic monthly salary, respectively.
- c. Despatch Held in Trust account represents set-up of payables for charges that the contractor/supplier pays to the cargo handler for extra use of its services. This account will be closed upon the accomplishment of the unloading of goods and distributed based on the percentage claim of the cargo handler and NFA as stipulated in the contract (60 per cent cargo handler and 40 per cent NFA).
- d. Multi-purpose Cooperative account represents deductions/collections from employees for loans and contributions to NFA-Multipurpose Cooperative which are remitted to the Cooperative before month-end of the applicable billing period.
- e. Insurance Proceeds/Premium account represents unpaid set-up of insurance premiums of NFA and employees contribution like SABAP, GAIP and Group Term Life Insurance Premium GTLI.
- f. Retention Fee account represents the unrefunded 10 per cent of the amount due to the contractor that is deducted from the amount due and retained by the client. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract.
- g. Lingap Para sa Mahihirap Program account represents unliquidated balance of this program. This had a total funding of P400 million as stated in the terminal report for the program. The fund was disbursed through sub-programs classified as Unrestricted Funds for Legislators Identified Beneficiaries (LIBs) and the Restricted Funds for Priority Beneficiaries (PBs), in trust to NFA.

Customers' Deposits Payable account includes advance payment made by the retailers and other institutions in exchange of delivery of stocks. Part of this account is the remaining payment of DSWD for subsequent withdrawal of stocks by authorized Municipal Social Welfare and Development Officer as instructed by concerned POs.

Guaranty/Security Deposits Payable account pertains to the liability arising from receipt of cash to assure the NFA that the winning bidder will enter into the contract and the contractor will perform on the terms of the contract.

21. DEFERRED CREDITS/UNEARNED INCOME

This account includes overages taken up based on stock report but no existing stock during the physical count. This is subject to adjustment upon final liquidation and/or TOLA computation of respective accountable officer.

22. REVENUE

This account includes the following:

	2018	2017 As restated
Service Income		
Clearance/certification	1,529,436,642	25,150
Fines and penalties	145,969,965	103,950,121
Registration and license fees	123,236,958	162,517,733
License Fees	48,821,249	-
Other service income	36,825,770	42,154,607
Processing Fees	2,032,194	-
Registration Plates, Tags and Stickers	1,030,842	-
Permit fees	28,500	8,200
	1,887,382,120	308,655,811
Business Income		
Sales	16,193,631,890	17,381,929,972
Interest income	35,964,550	114,669,523
Other business income	194,559	282,146
Fidelity insurance income	-	3,978,725
	16,229,790,999	17,500,860,366
	18,117,173,119	17,809,516,177
Shares, Grants and Donations		
Grants and Donations		
Income from grants and donations in kind	37,317	369,077
Income from grants and donations in cash	6,231	6,231
	43,548	375,308
Miscellaneous Income		
Miscellaneous income	88,002,153	116,255,983
Proceeds from insurance and indemnities	17,615,107	5,367,007
	105,617,260	121,622,990

23. PERSONNEL SERVICES

This account includes the following:

	2018	2017 As restated
Salaries and wages	1,390,221,409	1,294,896,741
Other compensation	629,401,627	617,930,925
Personnel benefits contributions	243,552,800	173,546,128
Other personnel benefits	138,879,727	109,362,315
	2,402,055,563	2,195,736,109

24. MAINTENANCE AND OTHER OPERATING EXPENSES

This account includes the following:

	2018	2017 As restated
General Services	376,679,326	399,681,042
Documentary Stamp Expenses	297,525,005	170,143,667
Professional Services	133,221,732	124,710,335
Supplies and Materials Expenses	104,634,435	119,708,690
Utility Expenses	93,967,871	98,122,042
Transportation and Delivery Expenses	82,176,807	246,515,471
Other Maintenance and Operating Expenses	66,423,922	144,236,415
Loss of Assets	60,663,492	79,300,920
Rent Expenses	57,613,440	120,886,402
Travelling Expenses	52,918,672	54,544,120
Repairs and Maintenance	50,331,845	56,807,498
Taxes, Insurance Premium and Other Fees	33,713,301	51,900,442
Communication Expenses	28,947,532	26,132,039
Representation Expenses	14,408,015	16,759,004
Major Events and Convention Expenses	11,232,829	7,738,002
Training and Scholarship Expenses	4,727,735	4,223,903
Extraordinary and Miscellaneous Expenses	3,307,572	3,549,577
Awards/Rewards, Prizes and Indemnities	2,660,612	7,775,502
Advertising and Publication Expenses	1,661,028	591,888
Subscription Expenses	1,147,448	1,691,699
Printing and Binding Expenses	1,066,779	1,558,692
Membership Dues and Contributions	625,297	1,850,202
Survey, Research, Exploration and Development Expenses	13,000	-
	1,479,667,695	1,738,427,552

Documentary stamps are levies on documents evidencing the acceptance, assignments, sale or transfer of an obligation, risk of property incident to it, usually collected at the time of registration of the documents with the concerned authority.

25. FINANCIAL EXPENSES

	2018	2017 As restated
Interest expense	5,503,112,598	4,848,333,096
Other financial expenses	863,117,498	1,114,024,496
	6,366,230,096	5,962,357,592

Other financial expenses account includes guarantee fees equivalent to one percent of the outstanding and documentary stamp taxes paid on new incurred obligations charged by the BTr on guarantees extended to NFA to cover obligations contracted.

26. DIRECT COSTS

Direct Costs for the year 2018:

	Quantity (kgs)	Unit Cost	Amount
Imported Rice-25% Broken	476,616,934	34.06	16,231,728,690
Imported Rice-15 % Broken	49,785,676	37.45	1,864,558,490
Imported Rice-20% Broken	53,300,784	33.18	1,768,674,544
Local Regular Milled Rice	6,438,980	29.29	188,579,265
Local Well Milled Rice	3,631,062	29.47	107,018,600
Local Yellow Corngrains	829,709	12.66	10,502,802
	590,603,145	34.15	20,171,062,391

Direct Costs for the year 2017:

	Quantity (kgs)	Unit Cost	Amount
Imported Rice – 25% Broken	517,170,896	27.57	14,257,959,900
Local Regular Milled Rice	75,117,669	30.47	2,289,210,528
Local Well Milled Rice	39,839,034	29.95	1,193,348,564
Imported Rice – Vietnam Rice	22,568,828	28.24	637,368,002
Imported Rice – Thailand Rice	18,899,555	25.28	477,722,703
Imported Rice – 15 % Broken	16,254,562	25.35	412,006,229
Local Yellow Corn grains	6,408,841	13.29	85,205,410
Imported Rice – 15 % Broken (800 MT)	1,250,738	26.34	32,942,711
	697,510,123	27.79	19,385,764,047

27. NON-CASH EXPENSES

	2018	2017 As restated
Impairment loss - Loans and receivables	1,223,413	13,633,154
Impairment loss - Inventories	462,118	36,953
Impairment - PPE	686,489	-
Impairment - Other Assets	85,183	-
Depreciation and depletion	174,701,268	175,567,703
	177,158,471	189,237,810

28. GAINS AND LOSSES

These accounts consist of the following:

	2018	2017 As restated
Gains		
Gain on ForEx	152,695,429	91,854,458
Gain on sale of PPE	6,227,583	272,511
Sale of assets - unserviceable property	1,887,041	591,563
	160,810,053	92,718,532
Losses		
Loss on ForEx	154,049,636	77,930,470
Loss on Sale/Redemption/transfer of Investment	30,098,228	-
Loss on sale of PPE	3,119,676	3,274,809
	187,267,540	81,205,279

The Gain/Loss on ForEx is the recognized gain/loss on the revaluation of foreign denominated liabilities at financial statement date.

29. FINANCIAL ASSISTANCE/SUBSIDY

	2018	2017 As restated
Subsidy from National Government (NG)	12,785,154,971	5,100,000,000
	12,785,154,971	5,100,000,000

This account consists of the following:

	Amount
NG Subsidy to NFA for the Implementation of Buffer Stocking Program	
SARO-BMB-C-18-0003286 dated March 01, 2018	5,200,000,000
SARO-BMB-C-18-0003286 dated June 14, 2018	1,800,000,000
Subsidy to cover Customs Duties on Rice Importation	
SARO-BMB-C-18-0006237 dated March 20, 2018	1,451,704,388
SARO-BMB-C-18-0033748 dated December 14, 2018	3,051,994,108
SARO-BMB-C-18-0034666 dated December 21, 2018	1,281,456,475
	12,785,154,971

The following were deducted from the NG Subsidy to NFA for the Implementation of Buffer Stocking Program:

	Amount
Special Allotment Release Order (SARO) # BMB-C-18-0003286 dated March 1, 2018	7,000,000,000
Less: Payments for Prior Years Guarantee Fee (10% of Subsidy)	(700,000,000)
Shortfall for payment of P8B 10-year bond liability	(27,736,683)
	6,272,263,317

30. RELATED PARTY TRANSACTIONS

As at December 31, 2018, the composition of the NFA Council is as follows:

Position	Name	Position from other Agencies
Chairperson	Mr. Emmanuel F. Piñol	Secretary, DA
Member	Mr. Nestor A. Espenilla, Jr.	Governor, BSP
Alternate Member	Mr. Diwa C. Guinigundo	Deputy Governor, BSP
Member	Mr. Alex V. Buenaventura	President and CEO, LBP
Alternate Member	Mr. Julio D. Climaco, Jr.	Executive Vice President, LBP
Member	Mr. Carlos G. Dominguez III	Secretary, Department of Finance (DOF)
Alternate Member	Ms. Rosalia V. de Leon	National Treasurer, DOF
Member	Mr. Ramon M. Lopez	Secretary, Department of Trade and Industry (DTI)
Principal Representative	Atty. Ruth B. Castelo	Undersecretary, DTI
Member	Mr. Ernesto M. Pernia	Secretary, National Economic and Development Authority (NEDA)
Alternate Member	Ms. Mercedita A. Sombilla	Assistant Secretary, Regional Development, NEDA Director, Agriculture and Natural Resources and Environment Staff
Member	Atty. Salvador C. Medialdea	Executive Secretary, OP
Member	Mr. Rolando Joselito D. Bautista	Secretary, DSWD
Member	Mr. Edwin Y. Paraluman	Farmer Sector Representative

No Remuneration was given to the NFA Council for year 2018

30.1 Key Management Personnel Remuneration and Compensation

The key management personnel of NFA are the Administrator, Deputy Administrator for Marketing Operations, Deputy Administrator for Finance and Administration, Assistant Administrator for Marketing Operations, and Assistant Administrator for Finance and Administration. The remuneration of key management personnel during the year is as follows:

	2018	2017 As restated
Salaries and Wages	6,533,203	5,945,115
Other Allowance and Benefits	4,570,522	4,763,479
	11,103,725	10,708,594

31. CONTRIBUTED CAPITAL

From Calendar Years (CYs) 1980 to 2007, total capital contribution of the NG to NFA amounted to P5.00 billion. This account is already reconciled with the records of the BTr.

32. ACCUMULATED SURPLUS/(DEFICIT)

As at December 31, 2018, Accumulated Deficit amounted to P153.364 billion, while, as at December 31, 2017, as restated, Accumulated Deficit amounted to P153.552 billion.

33. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The approved budget covers the CY 2018.

The difference between the final budget and the actual amounts on a comparable basis as presented in the SCBAA is due to non-attainment of distribution and procurement plan, lesser payment of obligations, economic measures effected by the agency such that only priority projects were implemented.

The budget and accounting base differ. The budget is approved on a cash basis by functional classification whereas the FS are prepared on accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance.

The reconciliation between the actual amounts on a comparable basis as presented in the SCBAA and actual amounts in the Statement of Cash Flow for the year ended December 31, 2018 is presented in the following table. The FS and budget documents are prepared for the same period. There is a basis difference: the budget is prepared on cash basis and the FS are prepared in the accrual basis.

	Operating	Investing	Financing	Total
Actual amount per SCBAA	6,691,773,739	6,905,915,465	(12,862,941,612)	734,747,592
Basis Difference	2,122,035,000	(1,004,058,000)	(839,023,000)	278,954,000
Total cash provided by (used in)				
operating, investing and				
financing activities	4,569,738,739	7,909,973,465	(12,023,918,612)	455,793,592

34. SUPPLEMENTARY INFORMATION REQUIRED BY BIR

34.1 Revenue Regulation (RR) No. 15-2010

In compliance with RR No. 15-2010, amending RR No. 21-2002 "In addition to the disclosures mandated under the PPSAS, and such other standards and/or conventions as may heretofore be adopted, the Notes to FS shall include information on taxes, duties and license fees paid or accrued during the taxable year."

RR No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of FS accompanying income tax returns (ITR) was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires inclusion in the notes to FS, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the PPSAS and such other standards and/or conventions.

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with BIR and is not required part of the basic FS.

a. Taxes and licenses for 2018

	Amount
Real Estate tax	327,383
BIR annual registration fees	500
Total	327,883

b. Withholding Taxes for 2018

The amount of withholding taxes paid/accrued for the year amount to:

	Amount
Creditable withholding taxes (Expanded, Percentage, and Value Added Tax)	250,239,662
Tax on compensation and benefits	109,716,387
Final withholding taxes	10,080,003
Total	370,036,052

c. Documentary Stamp Tax (DST)

The DST paid/accrued on the following transactions are:

	Loan Amount	DST Thereon
Loan Instruments - CO	150,309,304	296,856,042
Various Transactions in FO	-	668,963
Total	150,309,304	297,525,005

d. Tax Case

The NFA has no tax case as of December 31, 2018.

34.2 RR No. 19-2011

RR No. 19-2011 was issued to prescribe the new BIR Forms that will be used for income tax filing covering and starting with December 31, 2011. In case of the entities using BIR Form 1702, the tax payer is now required to include as part of its notes to the audited FS, which will be attached to the ITR, the schedules and information is presented for the purposes of filing with the BIR and is not required part of the basic FS.

The amount of revenues and income, and deductible cost and expenses presented below are based on relevant tax regulations issued by the BIR, Hence, may not be the same as the amount of revenues reflected in 2018 Statement of Financial Performance. Moreover, the legal basis of tax relief/exemption of NFA is expressly stated in PD No. 4 and PD No.1770.

The following are the schedules prescribed under the existing revenue issuances applicable to the NFA as of December 31, 2018.

a. Service and business income

	Per FS	Per ITR
Sales	16,193,631,890	16,193,631,890

b. Direct Costs

	Per FS	Per ITR
Direct Costs	20,171,062,391	20,171,062,391

c. Non-operating and Taxable Other Income

	Per FS	Per ITR
Subsidy Income from NG	12,785,154,971	11,023,051,804
Other Income and Gain on Disposed Asset	1,953,387,061	1,953,387,061
Interest Income and ForEx Gain	188,659,979	188,659,979
	14,927,202,011	13,165,098,844

d. Allowable Deductions

	Per FS	Per ITR
Interest Expenses	5,503,112,598	5,503,112,599
Salaries and Allowances	2,158,502,763	2,158,502,763
Other Financial Charges	863,117,498	863,117,498
Security Services	306,830,762	306,830,762
Documentary Stamps	297,525,005	–
SSS, GSIS, Philhealth and Other Contributions	243,552,800	243,552,800
Depreciation	174,701,268	174,701,268
Transportation/ Delivery and Travelling	135,095,479	138,094,103
Professional Services	130,802,430	130,802,430
Utility Expenses	93,967,871	93,967,871
Losses	61,897,282	186,605,067
Rent Expenses	57,613,440	57,613,440
Supplies and Materials Expenses	56,343,585	55,225,026
Handling	55,313,080	116,348,035
Other Services	51,937,120	51,945,159
Repairs and Maintenance - Labor or Labor and Materials	50,331,845	50,333,860
Gasoline, Oil and Lubricants Expense	37,084,106	38,600,813
Communication Expenses	28,947,532	28,947,532
Insurance	24,684,474	24,684,473
Janitorial and Messengerial Services	17,911,444	17,913,484
Representation and Entertainment	14,408,015	14,408,015
Miscellaneous	11,232,829	11,232,829
Other MOOE	11,110,842	124,802,210
Taxes and Licenses	9,028,827	9,028,827
Agricultural Supplies Expense	6,381,033	6,381,034
Other Supplies Expense	4,825,711	5,947,988
Training and Seminars	4,727,735	4,727,735
Advertising and Promotions	3,875,255	3,875,255
Extraordinary and Miscellaneous Expenses	3,307,572	–
Rewards and Other Claims	2,660,612	2,660,612
Management and Consultancy Fee	2,419,302	2,419,302
Bad Debts	1,223,413	1,223,413
Donation	625,297	625,297
Survey Expenses	13,000	–
	10,425,111,825	10,428,231,500

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

Financial Statements Disclosure

1. The presentation of the Financial Statements (FS) and the accompanying Notes of the NFA are not fully compliant with the disclosure requirements of the Philippine Public Sector Accounting Standards (PPSAS), among others, PPSAS 1 on Presentation of FS and PPSAS 33 on the First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) thus, the presentation of the FS and the accompanying Notes did not adequately provide the users of the FS with relevant information in understanding the NFA's financial position, performance and cash flows.

Disclosure in the Notes to FS

1.1 Paragraph 127 of PPSAS 1 provides that:

The notes shall:

(a) *Present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 132–139;*

(b) *Disclose the information required by IPSASs that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement; and*

(c) *Provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement, but that is relevant to an understanding of any of them.*

1.2 The Notes to the FS showed non-compliance with the above disclosure requirements as illustrated below:

a. Non-disclosure of additional information on the FS accounts or line items as presented in the Statement of Financial Position, Statement of Financial Performance and Statement of Changes in Net Assets/Equity.

We noted that there were no supporting information such as nature/description and corresponding amount on the following items presented in the Statement of Changes in Net Assets/Equity:

	2018	2017
Prior Period Errors	P (21,780,174,349)	P 5,614,225,614
Other Adjustments	21,582,794,237	(6,495,155.705)

It was further noted that in the Statement of Financial Position, the Accumulated Deficit referred to Note 33 only contains information on the balances of

Accumulated Deficit as at December 31, 2018 and as at December 31, 2017. There were no disclosures as to the retrospective adjustments and retrospective restatements made to the balances of Accumulated Deficit.

b. There were no disclosures regarding the accounting treatment of prior period adjustments due to change in accounting policy as required under paragraph 34 of PPSAS 3 such as: (a) the reasons why applying the new accounting policy provides reliable and more relevant information; (b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected; and (d) the amount of the adjustment relating to periods before those presented, to the extent practicable.

Likewise, there were no disclosures regarding the accounting treatment of Prior Period Errors, as required under paragraph 54 of the same PPSAS such as (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

It was noted that the change in accounting policy which includes the recognition of semi-expendable assets for those tangible assets below the capitalization threshold of P15,000, as prescribed by COA Circular 2016-006 dated December 29, 2016 was disclosed in the accompanying Notes. However, the Notes only described the accounts affecting the changes in the accounting policy as indicated in Note 5.3 PPSAS 12- Inventories and did not disclose the amount of adjustment, as required by the PPSAS.

c. The accompanying Notes to FS did not include disclosure(s) regarding the nature and extent of risks arising from financial instruments to enable users of the financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period as required by PPSAS 30 Financial Instruments: Disclosures.

While the type of risks arising from financial instruments to which NFA is exposed is provided in Note 7, the required qualitative and quantitative information under paragraphs 40-49 of PPSAS 30 to enable users of the financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period were not disclosed such as, among others: (a) the exposures to risk and how they arise; (b) its objectives, policies, and processes for managing the risk and the methods used to measure the risk; and (c) Summary quantitative data about its exposure to that risk at the end of the reporting period.

d. The Accompanying Notes to FS did not fully include the disclosure regarding the NFA's budget information, as required by paragraphs 14(c) of PPSAS 24. In Note 34 there was no explanation of the material differences between actual amounts and the budget amounts to assist users in understanding the reasons for material departures from the approved budget for which the entity

is held publicly accountable. Moreover, the presented amount in the Revised Notes to Financial Statement cannot be traced to the Statement of Comparison of Budget and Actual Amounts (SCBAA) submitted.

e. There was no reconciliation of net cash flow from operating activities in its Cash Flow Statement with the equivalent items reported in the Statement of Financial Position as required by paragraph 56 of PPSAS 2.

f. There were no information in the Notes that would enable users of NFA's FS to evaluate its objectives, policies, and processes for managing capital as required by paragraphs 148A and 148B of PPSAS 1.

There were no disclosure on the qualitative information about NFA objectives, policies, and processes for managing capital and a Summary quantitative data about what it manages as capital.

1.3 Thus, information contained in the Notes to FS did not adequately provide the users of the financial statements with relevant information in understanding the NFA's financial position, performance and cash flows.

Adoption of PPSAS

1.4 Note 2 to FS disclosed that the NFA FS have been prepared in compliance with the PPSAS prescribed for adoption by the COA per COA Resolution No. 2014-003 dated January 24, 2014. The FS are NFA's first FS prepared in accordance with PPSAS and PPSAs 33 First Time Adoption of Accrual Basis has been applied. The date of adoption of PPSAS is January 1, 2017.

1.5 Paragraph 142 of PPSAS 33 states that first-time adopter shall present in the notes to its transitional IPSAS financial statements or its first IPSAS financial statements: (a) reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of IPSASs; and (b) reconciliation of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of IPSASs.

1.6 Review of the Opening Statements as at January 1, 2017 to effect the result of the first time adoption of the PPSAS and supporting reconciliation revealed the following observations:

a. The Reconciliation Statement of Financial Performance was dated December 31, 2016 (January 1, 2017- transition date) instead of December 31, 2017 (the year-end date of transition). It is worthy to note that Statement of Financial Performance balances are closed at year-end. Thus, the amount presented in the reconciliation statement as at December 31, 2016 is already reflected in the Opening Statement as at January 1, 2017 of the Statement of Financial Position.

b. In the reconciliation of the Statement of Financial Position, the balances using Previously Generally Accepted Accounting Principles (GAAP) were based on the non-restated 2016 balances instead of the restated one. Thus, there is inconsistency in the use of certain balances.

c. The effect of the transition from GAAP to PPSAS was not presented in detail, whether due to reclassification or difference in recognition and measurement, instead it is lumped in one amount resulting in difficulty to trace the nature and veracity of said effect of transition.

d. The Management has not submitted any documents or Journal Entry Vouchers to support and/or substantiate the effect of the transition, thereby the Audit Team is unable to verify the reliability and/or correctness of the adjustments.

1.7 The aforementioned deficiencies on the Opening Statements as at January 1, 2017 limit the presentation of high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis PPSASs

1.8 We recommended that Management require the National Accountant to:

a. Submit the documents or Journal Entry Vouchers to support and/or substantiate the effect of the transition to PPSAS to verify the reliability and/or correctness of the adjustments; and

b. Comply with the disclosure requirements of the pertinent PPSAS provisions to have fair presentation of the account balances in the FS.

Financial Statements

2. The balances of the Assets, Liabilities and Government Equity accounts presented in the Statements of Financial Position from the combined Trial Balances (TBs) of the NFA Regional Offices (ROs) and Central Office (CO), differed by P754.516 million, P543.101 million and P211.415 million, respectively, against the totals of the accounts in the individual TB of the NFA ROs and CO, thus, affecting the fair presentation of the affected accounts.

2.1. PPSAS 1 sets out the overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

2.2. The generally accepted principles on the preparation and presentation of financial statements provide that information thereon must possess the quality of reliability, i.e., free from material error and bias and can be depended upon by its intended users.

2.3. The combined financial statements reflect the assets, liabilities, revenues and expenses of the CO and ROs. The 15 ROs maintain separate books of accounts and prepare their respective financial reports. The District Office/Provincial Offices (DOs/POs) which are under the supervision of the RO are responsible for preparing their respective financial reports which are submitted to the RO for combination. The financial report of the individual RO which consist of the financial report of the RO and its DOs/POs are then submitted to the CO for combination.

2.4. Analysis, verification and comparison of the account balances as at December 31, 2018 in the Statements of Financial Position from the combined Trial Balances (TBs) of the NFA ROs and CO, against the totals of the accounts in the individual TB of the NFA ROs and CO disclosed significant variances, as shown in Table 1. Comparison of total balances by account is presented as Annex A.

Table 1 - Variances between Totals of Individual TB and Combined TBs for CY 2018

Account	Totals of Individual TBs of ROs and CO	FS(Combined TBs per Region)	Variance
Assets	314,612,160,268	313,857,643,785	754,516,483
Liabilities	462,764,647,463	462,221,546,279	543,101,184
Equity	(148,152,487,195)	(148,363,902,494)	211,415,299

2.5. As observed in previous year's audit, the variances were attributed to errors in the combination and the temporary entries made for unreconciled items. These temporary entries were not monitored and reversed in succeeding years. It was also then the common observations in regional offices that the variances pertained to the prior years' unreconciled amounts.

2.6. In National Capital Region (NCR), for instance, analysis, verification and comparison of reported account balances as at December 31, 2018 in the individual TBs of NCR RO and District Offices/Provincial Offices (DOs/POs) with the balances of the same accounts in the combined TBs per Region disclosed material differences on Assets, Liabilities and Equity accounts amounting to P33.628 million, P26.930 million, and P6.698 million, respectively. These material variances in the combined TBs of the NCR RO and its DOs/POs remained unreconciled for several years and had been raised in audit for more than five years. The variances were caused by incomplete/inaccurate capture of accounts' transactions and balances and improper account classifications, including the temporary adjusting entries allowed to be posted in prior years to exclude the unreconciled account balances in the financial statements. These temporary adjusting entries were not monitored and reversed in succeeding years. Likewise, Management attributed the variances to errors in combination and long outstanding unreconciled accounts.

2.7. Also, there were accounts which have abnormal balances that could have material effect in the FS account balances as reported for Calendar Year (CY) 2018, as shown in Table 2.

Table 2 – Accounts with abnormal debit balances

No.	Account	Amount
1	Allowance for Impairment	P 2,516,802
2	Accounts Payable	1,719,878
3	Due to Officers and Employees-Executive Health program	19,234
4	Due to officers and Employees- Group Accident Insurance Premium	3,823
5	Due to National Treasury-Australian Rice	1,615,851
6	Due to GSIS-Vehicle Insurance Premium	65,588
7	Due to GSIS-Fire Insurance Premium	24,356
8	Fly Now Pay Later	178
9	College Education Insurance	1,318
10	Hospital Insurance Plan	17,282
11	Due to Government Corporations-Water Districts	597
Total		P5,984,907

2.8. The above variances and abnormal balances of the accounts affected the fair presentation of the account balances in the financial statements, including their non-disclosure in the notes to the financial statements.

2.9. **We recommended that Management require the National Accountant to:**

a. Verify and reconcile the variances between the FS and Combined TBs per Region, and adjust accordingly to come up with reliable balances of the accounts presented in the financial statements.

b. Account for the causes of the abnormal balances and thereafter, prepare adjusting entries.

2.10. Management provided the following comments/justifications:

a. A Comparative Statement and Reconciliation of variances between totals of Individual TBs and combined TBs for CY 2018 and copies of supporting Journal Entry Vouchers (JEVs) were submitted to the Audit Team on June 17, 2019. Initial review and reconciliation of the variances resulted in decrease in the variance as follows:

1. Decrease in variance in assets by P411.767 million – from P754.516 million to P342.749 million;

2. Decrease in variance in Liabilities by P21.518 million – from P543.101 million to P521.583 million; and

3. Adjustment in Equity in the amount of P390.249 million hence balance of reconciliation is (P178.834 million)

b. The abnormal balance pertains to Allowance for Impairment-Merchandise Inventory Held for Sale which was due to erroneous posting of P15.173 million per JEV3 18-12-0024 recorded in the books of Cotabato City as temporary entry. The adjustment should be posted/debited to Allowance for Impairment-Palay. It could be noted that as of December 31, 2018 Financial Statement, Allowance for Impairment-Palay showed a normal balance of (P27.319 million). The erroneous posting of temporary entry was reversed in January 2019 Trial Balance per JEV 2019-12-0001. The abnormal balance for Accounts Payable amounting to (P1.720 million) is for verification and adjustment.

c. In NCR, they will ensure oversight by requiring the tasked team to regularly report and discuss updates, development or delay in the reconciliation of variances between the Combined TB and totals of RO and individual DOs. Reconciliation of material variances between combined books of the RO against the total individual books of the RO and its DOs/POs is a rigorous process as it affects all of the accounts for a long period of time. Monthly, the Finance Section is regularly updating and reconciling the consolidated balances to ensure that current transactions are reconciled. Immediate and consistent communication with DOs/POs is performed to ensure better monitoring and proper recording of account transactions.

- d. They assured that they will continue to exert its best efforts to adjust the balances.

2.11. As a rejoinder, review and evaluation of the documents submitted to support the reconciliation of variances disclosed that the entries decreasing the variance on total assets by P411.767 million were mere reclassifications of accounts to the same classification/category and therefore have no effect on the FS account balances. Likewise, on the decrease in variance on total liabilities by P21.518 million, the entries were mere reclassification of accounts to the same account classification/category and therefore have no effect on the FS account balances. Additionally, the entries setting up the accrual of rice subsidy to officers and employees in the different regions have no supporting documentation.

Property, Plant and Equipment (PPE)

3. **The reliability and existence of the PPE account with net book value of P2.069 billion could not be established due to, among others : (a) unreconciled variance of P122.668 million between the book balance and the physical inventory count; (b) discrepancy of P1.931 million in the Construction in Progress account balance with Electronic National Government Accounting System (eNGAS) and balance with FS due to the transfer/reclassification of the amount to another account without preparation and posting of the journal entry in the books; (c) unrecorded/undocumented parcels of land; (d) non-reclassification of three parcels of land in NCR-North District Office (NDO) intended for divestment to Investment Property account; and (e) non-conduct of annual physical inventory.**

3.1 PPSAS 17 prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting property, plant and equipment of the Philippine public sector.

3.2 NFA Standard Operating Procedure (SOP) NO. GS-PD19 dated March 24, 2003, on Revised SOP on Fixed Assets Inventory, Monitoring and Control System, was issued to monitor the movement and condition of the assets and update the documentation, reporting and accounting systems. It provides, among others, that inventory count must be reconciled with the book balances.

3.3 COA Circular No. 80-124 dated January 18, 1980 provides, among others, that physical inventory taking being an indispensable procedure for checking the integrity of property custodianship has to be regularly enforced at least once a year. All inventory reports shall be prepared and shall be properly reconciled with accounting and inventory records.

3.4 Section C.3, Chapter V of the Manual on Property Custodianship provides:

After the physical inventory taking, the Inventory Committee shall reconcile the results of the count with the property and accounting records. x x x On the other hand, the inventory listing of the equipment shall be checked with the property card maintained by the property as against the equipment

ledger cards maintained by the Accounting and the total therefore shall be compared with those in the general ledger.

3.5 Further, Section 111 of Presidential Decree (PD) No. 1445 states that:

The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

3.6 As at December 31, 2018, the PPE account was valued at cost in the amount of P5.515 billion. The accumulated depreciation amounted to P3.446 billion, thus the net book value or carrying value of P2.069 billion as presented in the Statements of Financial Position.

Unreconciled variance of P122.668 million between the book balances and physical inventory count

3.7 As already observed in the previous years' audit, the reconciliation between accounting and property records have not been fully implemented in the current year. Considering that the PPE balances in the books were more than the physical inventory count, it indicated the possibility of erroneous recording of transactions, missing recorded property items or undocumented PPE items.

3.8 Comparison of the balances of PPE account between the accounting records and the physical inventory count disclosed an absolute variance of P122.668 million as shown in Table 3.

Table 3- Variance on PPE balances between Accounting records and Inventory Reports/Schedule of PPE

NFA Office	Per Books	Per Inventory Report/Schedule of PPE	Variance (Absolute Figure)
CO	829,682,901	818,556,108	11,126,793
NCR and District Offices	278,072,238	229,670,287	48,401,951
Region II (Isabela, Cagayan, Northwestern Cagayan-Apayao and Mt. Province POs)	288,714,923	296,896,235	8,181,312
Region V	8,551,534	10,377,174	1,825,640
Aklan PO	13,695,567	13,216,076	479,491
Northern Leyte PO	119,529,367	67,747,074	51,782,293
Agusan del Norte PO	19,146,077	18,615,973	530,104
Davao del Sur PO	51,183,866	50,870,806	313,060
Lanao Del Norte PO	26,307,986	26,280,524	27,462
			122,668,106

3.9 There was a decrease in the amount of variance from P356.344 million as at December 31, 2017 to P122.668 million as at December 31, 2018 or by P233.676 million or 65.58 per cent. The variance could be attributed to the following:

a. In CO, the variance of P11.127 million with significant discrepancies in some PPE accounts such as Information & Communication Technology Equipment, Communication Equipment, Other Structures, Office Building and

Construction in Progress is due to the absence of reconciliation of accounting records with the result of physical inventory count.

b. In NCR, the total variance of P48.402 million was due to among others, non-reconciliation of accounting records and the Report on the Physical Count of PPE (RPCPPE) in the RO; the non-recording of asset acquisition and non-derecognition of disposed assets in NFA South District Office (SDO); and the transfer of two units Stand Alone Rice Fortification Equipment Blender from SDO to NFA NDO which were recognized in the books of NDO without supporting documentation but accounted in the inventory report and reclassification of equipment to unserviceable Property as per the RPCPPE without the Inventory and Inspection Report of Unserviceable Property (IIRUP) submitted to the Accountant by the Supply/Property Officer in NDO.

c. In Isabela, Cagayan, Northwestern Cagayan-Apayao and Mt. Province POs, the absolute discrepancy of P 8.181 million was due to non-maintenance of PPE Ledger Cards (PPELC) by the Accounting Unit which hampered the reconciliation of accounting and property records and the determination of the causes of discrepancy.

d. In RO No. V, the variance of P1.826 million was due to the non-maintenance of perpetual records, such as the PPELC and the Property Cards (PC) by the Accounting Unit and Property Unit, respectively. It was also noted that transactions totaling P130,990 in 2014 were not recorded in the books of the RO.

e. In Aklan, Northern Leyte, Agusan del Norte and Lanao del Norte POs, the variances were attributed to the non-reconciliation of the RPCPPE/Schedule of PPE with the accounting records.

Discrepancy between the balance of e-NGAS and balance in the Financial Statement amounting to P1.931 million

3.10 In CO, a discrepancy amounting to P1.931 million was noted between the balance in the books (eNGAS) and the amount reflected in the FS as at December 31, 2018. The issue on the discrepancy had been raised in prior year's audit. Management explained that the discrepancy represents the partial payments made for the design and development of the Electronic Integrated Financial and Operations Management Information System (e-IFOMIS). The amount of P1.931 million was reclassified from Construction in Progress account to Development in Progress – Computer Software account in September 2017 but without an accounting entry in the books (e-NGAS).

Unrecorded/undocumented parcels of land

3.11 Donated parcels of land located in Valenzuela, Bulacan and Talavera, Nueva Ecija costing P13.117 million and P6.931 million, respectively, were not recognized in the books due to the absence of documents regarding the donation of the properties to NFA.

3.12 In Batanes Provincial Unit (BPU), land costing P17,268 where the BPU office and warehouse are situated was not covered with Transfer Certificate of Title/Ownership

Certificate of Title (TCT/OCT). Hence, ownership and legal right on the land could not be established.

3.13 In NDO, the basis in recording six parcels of land totaling 248,147 sq. meters in the total amount of P17.693 million cannot be established due to lack of documents to support the acquisition of the property.

Non-classification of three parcels of land intended for divestment as Investment Property Account

3.14 In NDO, we noted that the Land account included three parcels of land for undetermined future use which remained idle since its acquisition. These parcels of land should be classified as Investment property pursuant to PPSAS 16 which provides that:

“xxx Investment property is property (land or building – or part of a building– or both) held to earn rentals or for capital appreciation, or both, rather than for: (a) Use in the production or supply of goods or services, or for administrative purposes; or (b) Sale in the ordinary course of operations.
xxx;

3.15 In 2017, these parcels of land were proposed for divestment. An appraisal for the proposed lands for divestment was made by a third party appraiser. The report of the third party appraiser concluded that as of August 15, 2017, the market value of the land area, where it categorized the land development for mixed residential, commercial and industrial usages, particularly the three parcels of land intended for divestment totaling 138,122 sq. meters is estimated to be at P7,500/sq. meter or P1.036 billion.

Non-conduct of annual physical inventory in two POs

3.16 Cagayan de Oro and Misamis Oriental POs did not conduct annual physical inventory of its PPE costing P30.851 million and P68.718 million, respectively, casting doubt on the existence and condition of the PPE.

Other deficiencies

3.17 In NCR, the FS for CY 2018 showed four PPE sub-accounts with negative net book values totaling P1.981 million. Details are shown in Table 4.

Table 4 - PPE Accounts of NCR with Negative Net Book Values

Account	Cost	Accumulated Depreciation	Net Book Value
Other Structures	P -	P 98,140	P (98,140)
Machineries	55,067	1,265,464	(1,210,397)
Information and Communication	2,257,138	2,912,158	(655,020)
Other Property, Plant and Equipment	777,929	795,304	(17,375)
	P 3,090,134	P 5,071,066	P (1,980,932)

3.18 According to NCR Management, the analysis of documents on the existence of abnormal balances on the four PPE sub-accounts is still on-going.

3.19 Also in NCR, a motor vehicle costing P420,000 acquired in CY 2008 through the Office of the Regional Director has not been transferred yet in the name of NFA-NCR. The motor vehicle is included in the RPCPPE but not recorded in the books. It was insured with a private insurance company with insurance premium of P610.00 paid in CY 2018.

3.20 In view of the foregoing deficiencies, the accuracy, completeness and existence of the PPE accounts with net book value of P2.069 billion as at December 31, 2018 could not be established.

3.21 **We recommended that Management require the CO-ASD, Property Division and ROs/POs to:**

- a. Cause the conduct of complete physical count of PPE and submit the RPCPPE for consolidation and reconciliation with the Regional Property and Accounting records to determine cause/s of discrepancies, if any, so that necessary corrections/adjustments can be effected in both records to arrive at the correct/reconciled balances;**
- b. Prepare the necessary adjusting entry to properly reflect the correct balance of Construction in Progress account indicated in the books and in the FS;**
- c. Secure copies of TCTs and determine the cost of lands at the time of donation and record/recognize in the book of accounts;**
- d. Create an appraisal committee to come up with the appraised value of the parcels of land owned by NFA based on its classification whether commercial, industrial or residential lot to reflect the correct valuation of the properties**
- e. Reclassify the parcels of land for divestment to the Investment Property account to comply with PPSAS 16 ;**
- f. Prepare the necessary adjusting entries for the PPE sub-accounts that have negative balances; and**
- g. Record the motor vehicle in the books of NCR , transfer its registration in the name of NFA-NCR, and insure it with the Government Service Insurance System (GSIS);**

3.22 Management provided the following comments/justifications:

- a. In CO, they are exerting all effort to comply with the audit recommendation by continuously conducting thorough review and verification of the identified variances between physical count and accounting record. They have attached a revised physical inventory report reducing the variance to P4.203 million.
- b. In NCR, the team tasked to perform the reconciliation of PPE is in the process of reviewing the subsidiary ledgers from 1997 to the present. Also, NCR is looking for available documents (JEVs, FARR, FAIR, Report on Physical Inventory Count, etc.) relative to the reconciliation.

c. In BPU, the re-survey of the BPU land is still for approval at the Regional Office of the Department of Environment and Natural Resources (DENR)-Tuguegarao. The BPU will continue to follow up from the Office of the Provincial Environment and Natural Resources Officer (PENRO) on the status of the titling of the land.

d. In NDO, the Administrative Section and Finance Section have partly identified the causes of discrepancies per books as against the physical inventory report. Adjustments will be recorded as soon as variances have been completely identified.

e. In SDO, the Accounting and Property Units will conduct thorough verification and reconciliation in order to determine the cause of the variances and effect the necessary adjustments.

f. In Cagayan PO, reconciliation of accounts was made and adjusting entries were recorded under JEV 19-01-096. Management also submitted the PPELC on March 4, 2019 to the Audit Team.

g. In Nueva Ecija PO, they coordinated with NFA CO regarding the recognition of donated parcel of land located in Talavera, Nueva Ecija under TCT No. N-45716 per wire message no. NEJ-FA-B-059.

h. In Region V, they are already starting to clean up the records and reconcile the same with those of the Property Officer.

i. In Agusan del Norte PO, they are currently reconciling the variances noted. They explained that 2017 reports showed that there were no variances noted thus, the possible cause of discrepancy might be on timing of recognition of these assets.

j. In Northern Leyte PO, as of December 31, 2017, the accounting and supply records were already reconciled by the Finance Section. However, in CY 2018, due to lack of personnel because of unloading operations from importation and time constraints, reconciliation of the PPE s per books and results of the physical inventory as of December 31, 2018 was not undertaken. The reconciliation of the remaining balance was already being undertaken.

3.23 As a rejoinder, we appreciate the initial actions taken by Management to implement the audit recommendations. However, Management's full compliance with the above-mentioned recommendations will be continuously monitored by the Audit Teams in CY 2019.

Investments

4. **An aggregate amount of P501.928 million investments did not reconcile with confirmed balances, were without supporting documents and no longer existing in the books of the investees as at December 31, 2018 due to the inability**

of the Management to strictly monitor its investments, thereby adversely affecting the reliability of the year-end balance of Non-current Financial Assets account.

4.1 Review of the documents supporting the Non-current- Financial Assets account of P516.826 million and confirmation of investment balances from the investees revealed that eight investments amounting to P501.928 million were either not supported by documents, no longer existing in their books or with discrepancy over the confirmed balances. The details are shown in Table 5.

**Table 5– Investment accounts without supporting documents/
no longer existing in the books/ with discrepancy over
the confirmed balances of the investees
(In millions)**

Investee	Balance as of 12/31/18	Confirmed amount	Discrepancy	Without confirmation Reply	Without supporting documents
1. GEMCOR	P 1.242	–	–	–	P 1.242
2. Food terminal, Inc. (FTI)	500.000	101.520	398.480	–	–
3. MERALCO	–	0.032	(0.032)	–	–
4. PLDT Inc.	.067	–	–	0.067	–
5. Kutowato Country Club	.010	–	–	–	0.010
6. Capitol City Sports and Country Club (CCSCC)	.023	–	–	–	0.023
7. Development Bank of the Philippines (DBP)-Trust	.179	–	0.179	–	–
8. NFA-Employees Association (EA)	.407	–	–	0.407	–
Total	P501.928	P101.552	P398.627	P0.474	P1.275

4.2 Gasifier and Equipment Manufacturing Corporation (GEMCOR) is a government-owned and controlled corporation (GOCC) established in August 1981, in which the NFA has an investment of 1,242 shares of stock in the amount of P1.242 million. GEMCOR was abolished in CY 1985. The plant of GEMCOR was sold in 1990 by the Asset Privatization Trust (APT) under the Department of Agriculture (DA).

4.3 Under PPSAS 1, 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 the framework. A fair presentation also requires an entity to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.

4.4 The existence of accounts without supporting documents, no longer existing in the books, or with discrepancy with the confirmed balances of the investees significantly affect the accuracy, existence and reliability of the year-end balance of Non-current-Financial Assets.

4.5 **We recommended that Management require the ASD to:**

- a. Vigorously coordinate with the APT, Bureau of the Treasury (BTr) and DA for the return of NFA’s investment in GEMCOR;**

b. Coordinate with FTI, MERALCO and DBP for the reconciliation of the Investment account balances; and

c. For PLDT Inc, Kutowato, Capitol City Sports and Country Club, DBP-Trust, and NFA-EA, exert utmost efforts to retrieve/obtain documents to support the balances presented in the books, and to reconcile with the investees the difference between the book and confirmed balances.

4.6 Management commented that for GEMCOR, they made several follow-ups to DA but were constantly ignored. For PLDT, they will exert effort to redeem shares within June 1 to December 31, 2019. For DBP-Trust and NFA EA, they are exerting best effort to retrieve/locate documents. Hence, NFA will prepare a request for write-off within June 1 to September 30, 2019 for GEMCOR, KUTOWATO and CCSCC.

4.7 As a rejoinder, we request that the Audit Team in HO be furnished with certified true copies of the letter communications made by Management for the other investments in GEMCOR, PLDT, DBP-Trust, NFAEA, KUTOWATO and CCSCC for audit purposes.

Inventories – Inventory Held for Consumption and Semi-expendables Machinery and Equipment

5. The reliability and existence of the Inventory Held for Consumption and Semi-Expendable Property accounts of P297.749 million and P16.736 million, respectively, or totaling P314.485 million could not be ascertained due to among others: (a) discrepancy of P24.013 million between accounting and supply records; (b) inexistent items totalling P10.043 million (c) non-conduct/incomplete physical count; and (d) non-maintenance of adequate records/non-preparation of reports.

5.1 In Note 12 to FS, the Inventory Held for Consumption and Semi-expendables Property accounts had aggregate balances of P297.749 million and P16.736 million, respectively, or totaling P314.485 million as at December 31, 2018.

5.2 Our audit disclosed deficiencies that affected the reliability and existence of the Inventory Held for Consumption and Semi-Expendable Property accounts as discussed in succeeding paragraphs

Discrepancy of P24.013 million between accounting and supply records

5.3 In CO, there is a discrepancy amounting to P8.802 million in Inventories Held for Consumption and Semi-expendable Machinery and Equipment accounts between the reported year-end balance in the books of P17.484 million and actual physical inventory of P8.682 million that could not be verified due to the absence of requisition and issue slips to support the issuances of inventories as well as non-maintenance of stock cards. It was also noted that as at December 31, 2018, inventory items still recorded in the books as “For Reconciliation” and “For Reclassification” amounted to P2.262 million and P0.898 million, respectively.

5.4 In SDO, an unaccounted difference of P14.235 million existed between the balance per books and the total per schedule of small tangible items (STI).

5.5 In Biliran PO, a total variance of P0.976 million existed between supply and accounting records due to the absence of periodic reconciliation of the records of the Accounting Unit and Supply Unit.

Inexistent items totalling P10.043 million

5.6 In RO VIII, Northern Leyte and Southern Leyte POs, ocular inspection of the stock room and inquiry from the Acting Supply Officer disclosed that inventories amounting to P10.043 million were no longer existing. In the RO, the Audit Team was informed that the inexistent items have neither Stock Cards (SCs) nor other documents to support the accounts.

Non-conduct/incomplete physical count

5.7 In NDO, Camarines Sur, RO VIII and its POs and RO XIII, physical count was not conducted on its inventories.

5.8 In SDO, inventory reports for small tangible items could not be submitted due to incomplete physical count.

Non-maintenance of adequate records/non-preparation of reports

5.9 In CO, most of the Supply Officers (SOs) did not maintain the prescribed SCs despite prior years' audit recommendation; Report of Supplies and Materials Issued (RSMI) was not prepared by most of the SOs on a regular/daily basis; and there were still SOs who did not comply with the use of the prescribed Report on the Physical Count of Inventories (RPCI) form in the conduct of physical count, although it was already recommended in prior years.

5.10 In RO VIII, Northern Leyte, Western Samar, Eastern Samar and Northern Samar and Camarines Sur POs, records such as Supplies Ledger Cards (SLCs), complete SCs and subsidiary ledgers were not maintained for its inventories.

5.11 The non-conduct of physical inventory count, non-submission of inventory reports and non-maintenance of complete records precluded the Audit Teams from ascertaining the existence and correctness of the balances of Inventory Held for Consumption and Semi-Expendable Property accounts. Moreover, inaccurate/inadequate records affect the efficient management of supplies and materials and semi-expendable property and expose the assets to risk of misappropriation, misuse or loss.

5.12 **We recommended that Management require the:**

a. **General Services Department (GSD) to (i) submit to the Accounting Services Department (ASD) the documents to substantiate purchases and issuances of stocks; and (ii) instruct all SOs in CO to maintain SCs and regularly prepare the RSMI;**

b. **ASD and Senior Accounting Specialist (SAS) to make the necessary adjustments on issued supplies and materials and semi- expendable**

properties; and to conduct periodic reconciliation of accounting and supply records; and

c. Concerned Regional and Provincial Managers to:

c.1 Make the accountable officers liable for the missing and non-existent inventories and semi-expendable properties.

c.2 Instruct all Property/Supply Officers to conduct the physical count of supplies and materials held for consumption using the prescribed RPCI and to reconcile the inventory report with accounting and supply records; and prepare and maintain SCs; and

c.3 Require the Regional Accountant and the SAS to prepare and maintain the SLCs and subsidiary ledgers to ensure better control and monitoring of the inventories; and

5.13 Management gave the following comments:

a. In NDO, they already conducted the actual physical count. In Northern Samar, Western Samar and Eastern Samar POs, they will comply with the regular semi-annual conduct of physical inventory of supplies while in RO XIII, they assured that accountable forms will be included in their semi-annual physical inventory taking.

b. In Biliran PO, the Biliran Provincial Manager has instructed the Accounting and Supply Units to conduct periodic reconciliation of Inventories.

c. In Northern Leyte PO, they have issued a memorandum to the concerned personnel to ensure compliance with the recommendations on the noted deficiencies. All the recommendations are well taken by management. In Camarines Sur PO, the management was amenable with the audit recommendations.

d. In Northern Samar PO, SCs and the SLCs will be prepared to ensure better control and monitoring of the inventories. In RO No.XIII, subsidiary ledgers were already prepared and the SO was instructed to prepare stock cards for each item of supplies and to reconcile with the accounting records.

5.12 As a rejoinder, the Audit Team recognizes the effort of the management to implement the audit recommendations, which will be validated in future audit.

Financial Liabilities-Inter-agency Payables-Due to National Treasury and Payables-Interest Payable accounts

6. The reliability of the Inter-agency Payables-Due to the National Treasury account balance of P46.019 billion as at December 31, 2018 is uncertain due to the dormant accounts and abnormal/negative balance of P54.983 million and P1.616 million, respectively, and the absence of necessary supporting documents to substantiate the account balance. The huge amount of guarantee fee of P3.354

billion or 40.06 percent of the total guarantee fee of P8.374 billion remained outstanding for over five years. On the other hand, Interest Payable – Net Lending account significantly increased by P1.232 billion or 98.40 per cent of the total increase in Interest Payable of P1.252 billion coupled with unsettled interests on advances made to NFA by the BTr of P2.290 billion or 65.02 percent of the total interest payable of P3.522 billion for over one year to over three years, indicated the inability of NFA to manage its obligations.

Dormant accounts and Abnormal balances

6.1 Section 4(6) of PD No. 1445 requires that claims against government funds shall be supported with complete documentation. Further, Section 111(1) of the same PD states that accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

6.2 In Note 18 to FS, the NFA's Due to the National Treasury account had a balance of P46.019 billion (net of abnormal balance) as at December 31, 2018. Analysis revealed that the amount of P22.267 billion or 48.39 per cent remained outstanding for over five years and onwards, as presented in Table 6.

Table 6- Aging of Balances - Due to the National Treasury

Particulars	Total	Current		Past Due				
		Less than 90 days	91-365 days	Over 1 year	Over 2 years	Over 3 years	Over 4 years	Over 5 years and onwards
Net Lending Program	P 37,130,062,780	6,550,945,200		5,400,000,000	2,329,117,580	4,000,000,000	-	18,850,000,000
Guarantee Fee	8,374,533,390	566,161,486	296,670,831	1,113,785,707	491,122,550	1,200,222,892	1,352,072,439	3,354,497,485
COA Audit Services	451,431,437	32,211,186	96,633,555	216,758,618		80,784,047	25,044,031	-
USPL 480 Iron Fortified Rice	46,223,010							46,223,010
USPL 480 Rice	9,534,832					9,534,832	9,534,832	9,534,832
USPL 480 Title I	7,840,255							7,840,255
Countrywide Development Fund	881,582							881,582
China Rice I	37,940							37,940
Australian Rice	(1,615,851)							(1,615,851)
Total	P 46,018,929,375	7,149,317,872	393,304,386	6,730,544,325	2,820,240,130	5,281,006,939	1,377,116,470	22,267,399,253
Percentage	100.00	15.53	0.85	14.63	6.13	11.48	2.99	48.39

6.3 Further, analysis of the account disclosed that a total amount of P53.367 million (net of P1.616 million abnormal balance) remained dormant for more than 10 years, as presented in Table 7. Despite the prior years' audit recommendation, Management was unable to provide supporting documents pertinent to these accounts. Moreover, the only accounts the BTr regularly notifies the NFA are those for the immediate settlement and/or for confirmation/reconciliation, which are the advances to NFA, interest and guarantee fees.

Table 7- Dormant and Abnormal Accounts

Dormant/Abnormal Account	Amount
USPL 480 Iron Fortified Rice (IFR)	P 46,223,010
USPL 480 Title I	7,840,256
Countrywide Development Fund	881,582
China Rice I	37,940
Australian Rice	(1,615,851)
Total	P 53,366,937

6.4 Based on the Agency Action Plan and Status of Implementation (AAPSI) on the audit observations and recommendations for CY 2017, ASD was able to retrieve documents pertaining to the Countrywide Development Fund. Nonetheless, it is still undergoing review and reconciliation.

6.5 Furthermore, based on the AAPSI for CY 2016, ASD was able to retrieve relevant documents pertaining to the USPL 480 IFR which is subject for payment to BTr; for the other dormant/abnormal accounts, Statements of receipts and expenses as of CY 1989 were retrieved. However, no reconciliation or adjustments were made in CY 2018 pertaining to the said accounts. The status of prior years' observation was reported by Management was still the same "on-going retrieval, review and reconciliation of supporting documents".

Non-payment of enormous amount of payables

6.6 For CY 2018, total guarantee fee charged by the BTr amounted to P863 million. This guarantee fee equivalent to one per cent of the amount drawn from the loan is charged by the BTr for the guarantee extended by the National Government (NG) on obligations contracted by NFA. In CY 2018, the BTr offset the aggregate amount of P700 million or 10 per cent from NFA's CY 2018 subsidy from the NG amounting to P7.000 billion to partially pay the guarantee fees due the BTr. However, guarantee fees amounting to P3.354 billion or 40.06 per cent of the total P8.375 billion remained outstanding for over three years and onward, as shown in Table 7.

6.7 Moreover, interest is levied by the BTr for the advances it made to the NFA. The Bureau based its rate on a 364-day Treasury Bill. In Note 17.1.4 to FS, the Interest Payable account had a total balance of P4.145 billion. As presented in Table 8 below, out of the total Interest Payable of P4.145 billion, P3.522 billion or 84.97 per cent pertains to interest payable to BTr. Further, a significant increase of P1.232 billion was noted as compared to the CY 2017 balance of P2.290 billion. Such increase constitutes 98.40 per cent of the aggregate increase in the account.

**Table 8 – Interest on Net Lending over Total Interest Payable
as of December 31, 2018 and 2017**

Particulars	2018	2017	Increase/ (Decrease)
Interest Payable - Net Lending	P 3,521,913,191	P 2,290,323,401	P 1,231,589,790
Total Interest Payable	4,145,040,525	2,893,451,352	1,251,589,173
Percentage	84.97	79.16	98.40

6.8 Likewise, of the total interest payable – net lending, P2.290 billion or 65.03 per cent is outstanding for over one year to three years and onwards, as shown in Table 9. Although there was a payment of P10,157.52 in CY 2018, said amount only pertains to the excess remittance on Loans Payable – Foreign. Also, such was not the intention of the Management and said amount is so insignificant that it is tantamount to no payment at all. In prior years, the Management has not made any payments for interests accruing to the BTr.

Table 9 - Aging of Balances for Interest Payable- Net Lending

Age	Amount	Percentage
Less than 90 days	P 398,528,132	11.32
91 to 365 days	833,061,658	23.65
Over 1 year	678,048,363	19.25
Over 2 years	448,455,059	12.73
Over 3 years and onwards	1,163,819,979	33.05
	2,290,323,401	65.03
Total	P 3,521,913,191	100.00

6.9 Based on the AAPSI on the audit observations and recommendations for CY 2016, the NFA has been working closely with the Technical Working Group on NFA Reforms, organized by the Economic Cluster, according to the Work Program for the possible transfer of NFA obligations to the NG such as Net Lending to the BTr and Loans Payable-Domestic Accounts.

6.10 The existence of significant amount of payables coupled with the status of being dormant/long outstanding accounts and abnormal balance, as well as the absence of necessary supporting documents rendered the reliability, validity and accuracy of the account doubtful. Additionally, the incurrence of additional obligations together with the continuous non-payment of these obligations in effect incurred huge amount of financial expense to the agency and further jeopardized the NG of other priority goals, programs and projects that such funds may alternatively be used.

6.11 **We recommended that Management:**

- a. **Coordinate and confirm with the BTr for the establishment of the correct amount of NFA obligations so that necessary adjusting entries can be made; and**
- b. **Settle outstanding advances, including the interest and guarantee fees.**

6.12 Management gave the following comments:

- a. Supporting documents/agreements to support the balances under the USPL 480 IFR account in the amount of P46.223 million have been retrieved and shall subsequently recommend the remittance of said balance to the BTr. For USPL 480 Title I, China Rice I and Australian Rice, the Schedule of Receipts and Expenses were retrieved and best efforts are being exerted to locate the MOA and other supporting documents. For Countrywide Development Fund, the retrieved documents were subjected to verification and best effort are being exerted to locate other supporting documents.
- b. NFA's increasing debt was due to the policy to buy palay (buy high) and sell at a subsidized price (sell low). The NFA sourced its funding requirements through domestic or foreign borrowings due to the limited subsidy from the NG.

c. Fluctuating ForEx rates hugely contributed to the financial/cash flow difficulties experienced by the agency in 2018. In addition, financial expenses share a significant chunk of its total expenses at P6 billion.

d. With the enactment of R.A. No. 11203 or the Rice Liberalization Law, NFA is now coordinating closely with the Department of Finance (DOF) and BTr regarding the transfer or absorption of NFA's outstanding BTr Advances/Net Lending by the National Government Agencies (NGAs) embodied in the NFA's financial restructuring plan for the next five years wherein all existing debts will be transferred and/or assumed by the NG starting 2019.

6.13 As a rejoinder, we maintain our stand that NFA coordinate with the BTr for the correct amount of obligation before remittance considering the amount released to NFA.

Intra-agency Receivables and Payables Accounts

7. The Intra-agency Receivables and Intra-agency Payables accounts presented in the Statements of Financial Position with significant balances amounting to P300.177 billion and P300.175 billion, respectively, were not eliminated at year-end due to non-reconciliation of accounts; thus, bloating the total assets from P13.681 billion to P313.858 billion or 2,194.09 per cent and total liabilities from P162.047 billion to P462.222 billion or 185.24 per cent, thereby, providing misleading information to the users of the financial statements.

7.1 The intra-agency accounts of NFA pertain to the Receivable accounts consisting of Due from Central Office, Regional Office and Operating Units; and the Payable accounts which are Due to Central Office, Regional Office and Operating Units. The transactions recorded under the accounts include transfer of equipment, supplies, stocks of imported and local rice due from and due to the different offices/units of NFA; funds due from and/or due to the Central Office/Regional Office/Operating Units, and expenses chargeable from and to these different offices/units. These reciprocal accounts should normally be eliminated during consolidation/combination of the accounts and therefore should have zero balances at year-end, as they are intended merely as clearing accounts for intra-agency receivables and payables.

7.2 NFA SOP No. FS-GP13 dated April 21, 1997, as amended on December 18, 2008 and October 24, 2014, provided the guidelines and procedures on inter-branch accounting and defined the responsibilities of concerned offices and employees in reporting, recording and monitoring of inter-branch transactions. It also included the sanction on administrative offense based on violation of reasonable office rules and regulations, with penalty ranging from reprimand, suspension or dismissal.

7.3 Section 111 of PD No. 1445 provides that the accounts of the agency shall be kept in such details as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by the fiscal or control agencies of the government. Moreover, the highest objectivity and consistency shall be observed in the keeping of the accounts to safeguard against inaccurate or misleading information.

7.4 PPSAS 6 requires that in the consolidation of the Financial Statements of a group of entities under the control of a parent, the intra-group balances, transactions, income

and expenses are eliminated in full; hence, it is expected that the balances of the intra-agency accounts of NFA will be eliminated in full and will present zero balance in the consolidated financial statements.

7.5 Comparison of the balances of intra-agency accounts disclosed variances which remained unreconciled as at December 31, 2018 despite previous years' audit recommendation to immediately reconcile these reciprocal accounts and make the necessary adjustments. Details shown in Table 10.

Table 10 - Comparison of the Balances of Intra-agency accounts

Account Title (a)	Amount per FS (b) In billion pesos	Account Title (c)	Amount per FS (d) In billion pesos	Variance (e=b-d) In pesos
<u>Intra-agency receivable</u>		<u>Intra-agency payable</u>		
Due from Central Office	P137.736	Due to Regional Office	P16.151	121.585
Due from Regional Office	39.152	Due to Central Office	154.584	(115.432)
Due from Operating Units	123.289	Due to Operating Units	129.440	(6.151)
	P300.177		P300.175	0.002

7.6 A more detailed comparison of balances by regions is shown in Table 11.

Table 11- Comparison of the Balances of Intra-agency accounts

HO/Region	Intra-agency receivable	Intra-agency payable	Variance
CO	P128,045,088,795	P110,609,983,998	P17,435,104,797
RO 1	16,124,848,348	19,756,856,770	(3,632,008,422)
RO 2	7,859,558,446	9,556,897,661	(1,697,339,215)
RO 3	30,472,727,167	36,688,445,608	(6,215,718,441)
RO 4	2,912,059,936	4,310,128,922	(1,398,068,986)
RO 5	25,019,474,206	28,605,972,336	(3,586,498,130)
RO 6	3,981,839,590	8,533,257,900	(4,551,418,310)
RO 7	4,692,662,025	9,742,761,980	(5,050,099,955)
RO 8	19,097,770,500	5,892,283,153	13,205,487,347
RO 9	2,711,456,287	4,956,719,821	(2,245,263,534)
RO 10	3,444,382,573	4,049,172,596	(604,790,023)
RO 11	9,551,624,293	7,052,089,325	2,499,534,968
RO 12	3,325,179,224	5,749,595,382	(2,424,416,158)
RO 13	37,573,377,658	34,768,468,925	2,804,908,733
RO 14	5,645,833,544	5,854,396,776	(208,563,232)
RO 15	533,622,169	61,286,569	472,335,600
Total Per TB	P300,991,504,761	P296,188,317,722	P4,803,187,039
Total Per FS	300,176,526,838	300,174,796,608 (rounded figure)	1,730,230
Variance (par. 2.4 of Observation No.2)	P814,977,923	P(3,986,478,886)	P4,801,456,809

7.7 As observed in prior years' audit, the continuous non-reconciliation of these reciprocal accounts resulted in long existing overstatement and understatement of affected accounts carried over to the current balances, which continuously affected the reported balances of the accounts in the financial statements of the Agency as illustrated below:

a. In NCR, Cavite Provincial Office (CPO) and BPU, of the balances as at December 31, 2018 of the Intra-agency receivables and payables of NCR totaling P22.750 billion and P21.155 billion, respectively, the amounts of P21.763 billion for intra-agency receivables and P20.776 billion for intra-agency payables, remained unreconciled for ten years and beyond.

b. In NCR and its district offices, CPO and BPU, there were variances of P14.686 billion for Intra-agency Receivables and P13.678 billion for Intra-agency Payables between the book balances as at December 31, 2018 and the balances as confirmed.

c. In Albay PO, out of the total balances of P197.157 million of the accounts Due from Operating Units (OUs)- Outside the Region were confirmed correct showing a variance of P1.080 million while no confirmation replies were received for the rest. Likewise, P45.600 million were non-moving for almost four years due to absence of regular/periodic reconciliation of accounts with concerned operating units outside the regions and unavailability of necessary documents.

d. In Pampanga, Tarlac and Bulacan POs, the Intra-Agency Receivables account totaling P14.377 million were still not reconciled with the corresponding reciprocal accounts maintained in the books of the Central/Regional Office. Moreover, receivables amounting to P5.265 million remained outstanding for quite a long period of time ranging from seven to 35 years.

7.8 The non-elimination of old intra-agency accounts were attributed to, among others: (a) non-receipt/delay in the receipt of the advices from the originating offices as well as delay in responding to said advices; (b) The schedule of inter-branch transactions were not timely and regularly prepared and if prepared, reconciliation of variances was not performed; and (e) absence of records or document for prior years.

7.9 The non-reconciliation of accounts further signifies that the guidelines and policies were not strictly observed and followed in view of the significant difference of the existing balances of the accounts from the reciprocal accounts of the other offices, especially the sanction on administrative offense based on violation of Reasonable Office Rules and Regulations, with penalty ranging from reprimand, suspension or dismissal.

7.10 As observed in previous year's audit, in the financial statements for CY 2018, the Intra-agency Receivables and Intra-agency Payables accounts were presented among the assets and liability accounts.

7.11 The presentation of the reciprocal accounts in the financial statements for CY 2018 bloated the total assets by P300.177 billion or 2,194 per cent and total liabilities by P300.175 billion or 185.24 per cent, thereby providing confusing information to the users of the financial statements.

7.12 The Intra-agency Receivables and Intra-agency Payables accounts are not considered as assets and liabilities of the agency. Assets and liabilities are defined in Paragraph 7, PPSAS 1- Presentation of Financial Statements as follows:

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Liabilities are defined as present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

7.13 Thus, Intra-agency Receivables could not be classified as assets by NFA as this could not generate net cash inflows to the agency and have no future economic value or service potential such as cash, investments, accounts receivable, inventory, supplies, land, buildings, equipment, and vehicles. On the other hand, Intra-agency Payables are not liabilities such as loans, accounts payable, deferred revenues, mortgages and accrued expenses. Likewise, Intra-Agency Payables are not the agency's legal financial debts or obligations that arise during the course of business operations which will be settled over time through the transfer of economic benefits including money, goods or services.

7.14 Paragraph 15 of PPSAS 1 provides that, *"financial statements are a structured representation of the financial position and financial performance of an entity. The objectives of general purpose financial statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources."*

7.15 Thus, the non-elimination of the reciprocal accounts – Inter-agency Receivables and Inter-agency Payable accounts and the presentation of these accounts in the CY 2018 financial statements provided misleading information to the users thereof.

7.16 **We recommended that Management:**

- a. **Direct the concerned Accountants to prioritize the reconciliation of Intra-agency accounts in order to have reliable balances and strictly monitor compliance with NFA SOP No. FS-GP13, with emphasis on the regular preparation of schedule of inter-branch transactions and Monthly Reconciliation Statement to identify variances, if any, within the reporting period and immediately coordinate with other offices to resolve the differences and prepare the necessary adjustments;**
- b. **Ensure that policies and guidelines on inter-branch transactions are strictly observed, especially the sanctions provided in NFA SOP No. FS-GP13 as deterrent to the accumulation of variances;**
- c. **Consider the applicability of COA Circular No. 2016-005 dated December 19, 2016 on the guidelines and procedures on the write-off of dormant accounts; and**
- d. **Consider the conduct of a nation-wide reconciliation of the Intra-agency Receivables and Intra-Agency Payables accounts by all the Accountants of CO, ROs and POs/OU in order to confirm and verify the existence and balances of the accounts.**

7.17 Management submitted the following comments:

- a. In NCR and its DOs, CPO and BPU, Tarlac and Bulacan POs, consistent efforts were undertaken for the reconciliation of Intra-agency accounts. Continuous coordination with the concerned offices is done and copies of the advices are given even before closing the books to come up with a timely and accurate recording of the inter-branch transactions. Current transactions are strictly monitored and reconciles once it has the advice with no discrepancies, and closure is taken up.
- b. In Albay PO, the observations were due to the unavailability of supporting documents and lack of manpower. Most of the receivables which are non-moving were carried over balances. The necessary documents are yet to be located for confirmation and reconciliation with the counterpart NFA provincial offices outside the region for possible elimination of the account balances.
- c. In Pampanga PO, they are still waiting for the advice to close the old reciprocal accounts with Regional Office and other NFA Office. Regular communications are also made with the said offices for the closure of old accounts.

7.18 As a rejoinder, we acknowledge the actions taken by management in reconciling the accounts with other NFA offices. We maintain, however, that efforts should be exerted to locate the records pertaining to prior year's transactions to support the validity of the reported balance of the accounts in the financial statements.

Provision for the money value of the earned leave credits

8. The provision for the money value of the earned leave credits of NFA officials and employees for CY 2018 and prior years was not recognized in the books as required in Paragraph 22 of PPSAS 19, thus the Liabilities and Accumulated Surplus (deficit) accounts presented in the financial statements do not faithfully represent the obligation of NFA for estimated leave benefits of its officials and employees amounting to P44.344 million as at December 31, 2018.

8.1 PPSAS 1 provides that the 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 PPSAS. The application of PPSAS, with additional disclosures when necessary, is presumed to result in the financial statements that achieve a fair presentation.

8.2 Analysis of the financial statement revealed that the ASD did not recognize the money value of the earned leave credits of NFA officials and employees, in which the NFA has an obligation, for CY 2018 and prior years. This is contrary to the provisions, contingent liabilities and contingent assets as discussed in paragraph 22 of PPSAS 19 as stated that:

A provision shall be recognized when:

- a. An entity has a present obligation (legal or constructive) as a result of a past event;*
- b. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and*
- c. A reliable estimate can be made of the amount of the obligation.*

8.3 Based on the available data furnished by the NFA-Human Resource and Management Department (HRMD), the accumulated leave credits of NFA officials and employees in CO totaled 17,625.15 days as of CY 2017 for 221 employees and 20,002.49 days as of CY 2018 for 244 employees with an estimated value of P 34.662 million and P44.344 million, respectively.

8.4 As a result of the non-recognition of the provision for money value of the earned leave credits of NFA officials and employees for CY 2018 and prior years the leave benefits payable amounting to P44.344 as of December 31, 2018 were not faithfully represented in the liabilities, accumulated surplus (deficit) and expense accounts in the financial statements.

8.5 **We recommended that Management require the:**

- a. HRMD to regularly update the leave balances of NFA officials and employees in CO and ROs to come up with reasonable estimate of the amount of provision for the Leave Benefits Payable at any reporting period; and**
- b. ASD to verify the balance and compute for the money value of earned leave credits and prepare the necessary journal entries to recognize the liability and expenses for CY 2018 and prior years.**

B. COMPLIANCE

Maintenance of Buffer Stock

9. **The rice inventory levels in NFA-NCR and other POs in almost all months of CY 2018 were way below the required level of buffer stocks of 15 days in each month and 30 days in July during the year. Hence, NFA was exposed to rice supply shortages and higher prices of commercial rice in the market, thereby, affecting its ability to achieve its mandate of providing stable supply and prices at all times and could compromise its capability to effectively and immediately respond in times of disaster and emergency situations.**

9.1 In line with NFA's mandate to maintain food security stocks at any given time in order to effectively and immediately respond during disaster/emergency situations, it issued the Food Security Policy per Memorandum 2013 AO-2K13-02-037 dated February 18, 2013. The policy provided that NFA shall maintain a Strategic Rice Reserve equivalent to at least 15-day consumption requirement and likewise, must maintain the Government Rice Buffer Stock at 30-day level by July 1 of each year, inclusive of the 15-day operational stocks for the traditional rice lean months which starts in July.

9.2 Under the Marketing Plan of the NFA for CY 2018, the Daily Consumption Requirement (DCR) of each NFA Offices per Region was determined as basis in computing the number of rice bags for the required 15-day, and 30-day buffer stocks.

9.3 However, given that the national average of stock requirement is good for 15 days, the buffer stock requirements vary by province according to their classification: (a) very critical (provinces with negligible production that are almost fully dependent on other provinces for rice supply); (b) less critical (provinces with minimal production that are partly dependent for rice supply); (c) self-sufficient (production meets the consumption requirements); and (d) Surplus areas (provinces with sufficient production to be able to export to other provinces). The very critical and less critical provinces are required to maintain buffer stocks equivalent to at least 30 days and 15 days, respectively. On the other hand, the self-sufficient and surplus areas are only required to maintain buffer stocks of at least equivalent to five days and two days, respectively.

9.4 Verification of the Summary of Weekly Stock Receipts, Issues and Balances submitted by the Warehouse Supervisors (WSs) in the NFA-NCR and other POs showed that the inventories of stocks were below the required buffer stock levels based on each office's DCR in most months of CY 2018, as exemplified in Table 12.

Table 12 - Summary of Buffer Stock Levels in NFA-NCR and Other Provincial Offices

NFA Office	Required Buffer Stock		No. of Months with Excess Level	No. of Months Below Stock Level	Range of Deficit (No. of Days)
	DCR (in Bags)	No. of Days			
NATIONAL CAPITAL REGION					
Central District Office	26,060	15 days and 30 days in July	0	12	9.32 - 28.05
North District Office	17,720	15 days and 30 days in July	0	12	9.31 - 28.97
South District Office	24,080	15 days and 30 days in July	0	12	12.07 - 27.50
East District Office	23,300	15 days and 30 days in July	0	12	12.35 - 29.32
Cavite Provincial Office (PO)	20,380	15 days and 30 days in July			11.91- 28.95
REGION II					
Apayao PO	4,140	2 days	1	11	0.10 - 2.00
Isabela PO	11,340	2 days	1	11	0.12 - 1.82
Cagayan PO	6,400	2 days	0	12	0.56 - 2.00
Quirino PO	1,340	5 days	1	11	0.15 - 5.00
Nueva Vizcaya PO	3,500	5 days	0	12	2.46 - 5.00
REGION III					
Aurora PO	1,580	2 days	5	7	0.68 - 2.00
Bataan PO	4,740	15 days and 30 days in July	0	12	9.26 - 29.04
Bulacan PO	20,860	15 days and 30 days in July	0	12	14.35 - 29.97
Nueva Ecija PO	15,200	2 days	2	10	0.57 - 2.00
Pampanga PO	17,160	15 days and 30 days in July	0	12	13.39 - 29.92
Tarlac PO	9,080	2 days	2	10	1.24 - 2.00
Zambales PO	6,240	15 days and 30 days in July	0	12	11.94 - 28.40
REGION IV-A					
Infanta PO	1,460	15 days and 30 days in July	0	12	9.80 - 29.81
Quezon PO	11,760	15 days and 30 days in July	0	12	13.06 - 29.34
Batangas PO	15,700	15 days and 30 days in July	1	11	5.54 - 28.33
Laguna PO	18,340	15 days and 30 days in July	0	12	13.85 - 30.00
REGION IV-B					
Oriental Mindoro	6,000	5 days	0	12	1.27 - 5.00
Occidental Mindoro PO	2,760	5 days	6	6	0.68 - 4.48
Mamburao PO	1,140	5 days	4	8	2.51 - 4.15
REGION V					
Masbate PO	6,420	8 days and 15 days in July	0	12	1.92 - 14.97
REGION VI					
Iloilo PO	19,760	2 days	3	9	0.23 - 2.00
Capiz PO	5,700	2 days	3	9	0.63 - 2.00
Aklan PO	4,240	2 days	0	12	0.41 - 2.00
Negros Occidental PO	20,600	15 days and 30 days in July	0	12	11.76 - 30.00

NFA Office	Required Buffer Stock		No. of Months with Excess Level	No. of Months Below Stock Level	Range of Deficit (No. of Days)
	DCR (in Bags)	No. of Days			
REGION VIII					
Biliran PO	1,760	2 days	3	9	Lowest stock level – 0.0034
Northern Leyte PO	11,880	2 days	4	8	Lowest stock level – 0.0008
Southern Leyte PO	5,320	5 days	1	11	Lowest stock level – 0.0000
Western Samar PO	4,960	30 days	0	12	Lowest stock level – 0.0022
Eastern Samar PO	2,740	30 days	0	12	Lowest stock level – 0.0146
REGION XIII – CARAGA					
Surigao del Sur PO	4,260	20 days and 15 days for harvest season/months	0	12	15.71 - 19.50
Surigao del Norte PO	4,220	20 days and 15 days for harvest season/months	3	9	7.57 - 14.80
Agusan del Norte PO	4,880	20 days and 15 days for harvest season/months	0	12	13.39 - 19.33

9.5 As shown in Table 12, the four district offices of NFA-NCR and 16 POs showed deficit stock levels the whole year of CY 2018 while 17 POs were deficit from six to 11 months during the year over the required buffer stock requirements. The stock deficits were attributed mainly to the low allocation/receipt of imported rice which according to Management was due to the delay in the approval of importation by the NFA Council several times. Replenishment of rice stocks in NFA-NCR started only with the arrival of the 1st batch of the 250,000 Metric Ton (MT) Government-to-Government (G to G) importation in June and the 2nd batch which arrived only in September 2018.

9.6 In other POs, the significantly low accomplishment on procurement of palay, as shown in Table 13, contributed to the deficit in spite of the massive palay procurement campaign and various strategies which include campaign through “UGNAYAN”, an NFA initiated dialogue to encourage farmers and farmer groups to sell their palay to the agency and the implementation of additional P3.00/kg Buffer Stocking Incentive (BSI) which took effect in October 2018.

Table 13 - Status of Palay Procurement in some NFA Provincial Offices

NFA Office	PROCUREMENT (in Bags)			Remarks
	Target (in Bags)	Actual	Percentage	
REGION II				
Apayao PO	112,600	12,591	11.18%	
Isabela PO	131,000	37,517	28.64%	
Cagayan PO	78,000	1,518	1.95%	
Quirino PO	14,260	628	4.40%	
Nueva Vizcaya PO	22,400	1,036	4.62%	
REGION IV-B				
Oriental Mindoro PO	66,200	22,987	34.72%	NFA could hardly compete with the current price of the locality; hence farmers were selling their palay to traders who offered higher prices. Although NFA has implemented additional buffer stocking incentive of P3.00/kg in October 2018 as addition to the buying price of P17.40/kg to P17.70/kg, still it is lower than the farm-gate price of palay (clean and dry) which averaged P23.62/kg for CY 2018.

NFA Office	PROCUREMENT (in Bags)			Remarks
	Target (in Bags)	Actual	Percentage	
REGION V				
Masbate PO	29,700	4,058	13.66%	Attributed to the high farm gate prices during the summer cropping. Local farmers opted to sell their produce to private traders and some sold it in rice form that commanded higher returns.
REGION VIII				
Northern Leyte PO	16,700	50	.30%	34 bags of palay were procured by management with the buying price of P20.70/kg effective October 12, 2018.
Southern Leyte PO	2,500	414	16.56%	317 bags of palay were procured after effectivity of the new buying price of rice.
Western Samar PO	500	90	18%	Despite effectivity of new buying price, the PO still have not procured any palay.
Eastern Samar PO	7,900	151	1.91%	Despite the conduct of UGNAYAN and meetings with farmer organizations, procurement accomplishment was still very low.
REGION XIII				
Surigao del Sur	500	1,154	230.80%	Despite the percentage of accomplishment, it was noted that the target for the year was planned at a low level, which was not sufficient for the buffer stocking requirements.
Surigao del Norte	300	78	26.00%	
Agusan del Norte	400	1,602	400.50%	

9.7 The inability of these NFA offices to maintain the required buffer stock as provided under the approved Annual Marketing Plan exposed the cities/municipalities under its jurisdiction to risk of supply shortage and eventually higher prices of commercial rice in the market and also affected its capability to immediately address the rice supply and demand situation specially during times of emergencies and calamities.

9.8 It is worth mentioning that under Republic Act (R.A.) No.11203, NFA's function has been limited to buffer stocking for emergencies and calamities. Rules 8.1 and 8.3 of Section 8 of the Implementing Rules and Regulations of R.A. No. 11203, "An Act Liberalizing the Importation, Exportation and Trading of rice, Lifting for the Purpose the Quantitative Import restriction provide that:

Section 8. Maintenance of Buffer Stock – The NFA shall, in accordance with the rules, regulations and procedures to be promulgated, maintain sufficient rice buffer stock to be sourced solely from local farmers.

Rule 8.1 The NFA shall continue to perform its role in ensuring food security by maintenance of buffer stock sourced from local farmers as provided in the Act.

Xxx

*Rule 8.3 Prior to the approval and adoption of NFA Council of the results and recommendations of the independent study in Rule 8.2.1 by **December 31, 2019** or earlier, the NFA shall implement the following rules, regulations, and procedures involving the acquisition, maintenance, and operations of buffer stocks.*

Rule 8.3.1 NFA adopts an optimal level of rice inventory equivalent to 15 to 30 days of national rice consumption. NFA shall acquire the optimal level under its current palay procurement program sourced

only from local farmers. Procurement shall be funded by its 2019 appropriations for palay procurement.

Xxx

Rule 8.3.2 NFA shall maintain the optimal level of buffer stocks at all times, except to make releases in response to emergencies, in support of disaster relief programs of the government, or to dispose stocks, as necessary before the quality of rice deteriorates/become unacceptable/unsafe xxx.

9.9 In view of the above observations, we recommended that Management strengthen the local procurement level to ensure at all times the availability of the required buffer stock levels to attain its mandate under R.A. No. 11203 of 2019, The Rice Tariffication Law, to respond to the rice requirements during calamities.

9.10 During the exit conference on June 6, 2019, Management informed that the NFA Council will initiate a study for the position and transfer and transition of the different stocks. In the meantime NFA is following the 15 and 30 days stock levels. There is a different situation in the transition where they have imported rice and at the same time accommodating local rice. When the study comes out, they hope to phase out the inventory and fill the warehouses with local rice since there will be no importation by the government. The President directly authorized NFA to sell rice in the market. NFA has no stabilization function instead it should focus on the distribution to priority areas. So, for the current situation, NFA is continuously monitoring the procurement in the Regions.

Stock Shortages

10. The inability to undertake the necessary legal actions on shortages of Stock Accountable Officers (SAOs) by NFA Management as required in NFA existing policies and guidelines resulted in the accumulation of the stock shortages to P2.931 billion, that includes P0.960 billion pertaining to SAOs who were no longer connected with NFA. In addition, there are shortages amounting to P1.669 billion without computation of final Tolerable Allowance (TOLA) due to missing/incomplete warehouse/stock reports and the absence of prescribed time frame to complete stock examination in NFA policy on stock examination and TOLA computation. Hence, the final amount of shortages for collection could not be determined, thus, depriving NFA on the use of uncollected shortages to finance its programs and operations.

10.1 As at December 31, 2018, the balance of Due from Officers and Employees account related to Stock Shortages has ballooned to an aggregate amount of P2.931 billion as presented in Table 14.

**Table 14- Due from Officers and Employees - Stock Shortages
as at December 31, 2018**

Region	Stock Shortage (before finality ¹)	Stock Shortages (pending Appeal)	Stock Shortages (Final)	Total
I	P 9,903,926	P –	P 88,951,171	P 98,855,097
II	43,511,926	1,135,087	29,087,090	73,734,103
III	27,226,206	2,145,976	86,710,282	116,082,464
IV	371,806,642	–	403,684,133	775,490,775
V	102,026,998	19,434,799	172,475,315	293,937,112
VI	167,481,624	–	25,813,088	193,294,712
VII	7,513,186	–	27,206,160	34,719,346
VIII	62,909,254	117,858,534	25,994,089	206,761,877
IX	39,935,266	820,288	46,350,254	87,105,808
X	163,314,534	1,010,482	26,634,173	190,959,189
XI	33,993,299	–	2,852,030	36,845,329
XII	85,835,681	181,954	28,891,475	114,909,110
XIII	93,136,530	11,064,554	113,235,510	217,436,594
XIV	373,283,588	520,889	22,296,486	396,100,963
XV	87,111,546	–	7,311,413	94,422,959
Total	P 1,668,990,206	P 154,172,563	P 1,107,492,669	P 2,930,655,438
Percentage (%)	56.95	5.26	37.79	100.00

¹Before determination of final stock accountability

10.2 As can be gleaned in Table 14, a significant amount of P1.669 billion or 56.95 percent of the total Stock Shortages pertains to stock shortages before the determination of final stock accountabilities, while stock shortages with pending appeal only accounts for P0.154 billion or 5.26 percent. On the other hand, stock shortages before the determination of final stock accountabilities significantly decreased in value by P0.303 billion or 15.37 percent of its 2017 balance, while Stock Shortages – pending appeal significantly increase in percentage by 329.22 percent, as shown in Table 15.

Table 15- Movement of Stock Shortages in CYs 2018 and 2017

	2018	2017	Increase/ (Decrease)	Percentage (%)
Stock Shortage – before final stock accountabilities	P 1,668,990,206	P 1,972,070,041	(P 303,079,835)	(15.37)
Stock Shortages – pending appeal	154,172,563	35,919,429	118,253,134	329.22
Stock Shortages – final	1,107,492,669	1,044,349,970	63,142,699	6.05
Total	P 2,930,655,438	P 3,052,339,440	(P 121,684,002)	350.64

10.3 The NFA SOP No.GM-WH13 on the New Computerized Stock Examination and TOLA Computation issued on April 22, 2003, as amended, provides the new guidelines on the processes involved from the stock examination until the final computation and decision on the amount of stocks and empty sacks (MTS) shortages.

10.4 Notwithstanding the afore-cited SOP guidelines on stock examination and TOLA computation , it was observed that the stock examination and TOLA computation are still very slow, considering that some of the concerned SAOs or Warehouse Supervisors (WSs) were no longer connected with the NFA due to retirement, death, resignation and on absence without official leave, which could be attributed to, among others, the following:

- a. There were missing/ incomplete warehouse documents/stock reports;
- b. Lack of personnel to conduct the stock examination;
- c. No or few permanent personnel were assigned to encode the liquidation report. Mostly were Job Order personnel;
- d. Delayed completion of the stock examination conducted by the Provincial Accounting Unit and the computation of the TOLA by the NFA RO ;
- e. Manual re-encoding of all warehouse transactions(receipts and issuances) of SAOs mainly contributes to the delayed computation; and
- f. Absence of prescribed time frame within which to complete stock examination and TOLA computation.

10.5 The significant amount of stock shortages that remained outstanding in the books of NFA showed inadequate effort in the conduct and completion of the stock examination and TOLA computation. The delay in the final determination of the P1.669 billion stock shortages defers the collection process, thus exposes the government funds and assets to the risk of loss. Had TOLA computation been given priority in the determination of final shortage, the enforcement of settlement of the amount could have been enforced done against the subject SAO. Considering the huge amount to be collected, NFA could use this to augment its funds for food security program and for its operations.

10.6 SOP No. FS-GP20 or the Revised SOP on the Payment of Grains and MTS Shortages of Accountable Officers issued on January 27, 2006 provides the guidelines on the full settlement of grains and MTS shortages, including payment of shortages through installment basis. Subsequently, General Memorandum Order No. AO-2K10-01-003 dated January 20, 2010 was issued requiring the full payment of grains and empty sacks shortages of NFA SAOs within 15 working days from receipt of demand letter subject to certain provisions related to the filing of administrative/criminal case against the SAOs.

10.7 On the other hand, while NFA had already filed administrative and/or criminal charges against most of the concerned accountable officers, there is a perceived delay in Management's action against other accountable officers such as the delayed processes due to several postponements, which contributed to the non-settlement of the shortages for periods of time.

10.8 The final shortages of the SAOs which remained uncollected for several years were attributable to the following:

- a. Delay in issuance of demand letters;
- b. Notices of failure to settle was issued only after notices on denied appeals have been issued after a year or over;
- c. Employees on Absence Without Official Leave (AWOL), resigned and retired from service and deceased; and
- d. On-going legal cases

10.9 As at December 31, 2018, the Final Stock Shortages in Due from Officers and Employees account in the total amount of P1.107 billion includes shortages of Accountable Officers of P130.668 million for Stocks, P17.136 million for MTS and P959.689 million related to shortages of SAOs that were no longer connected with NFA, as presented in Table 16.

Table 16–Final Stock Shortages

Region	Final Stock Shortages – Stocks	Final Stock Shortages – MTS	Final Stock Shortages – No longer connected with NFA	Total
I	P 15,826,968	P 381,617	P 72,742,586	P 88,951,171
II	9,967,568	128	19,119,394	29,087,090
III	44,251,730	6,452,602	36,005,950	86,710,282
IV	13,503,408	207,920	389,972,805	403,684,133
V	2,950,296	3,528,912	165,996,107	172,475,315
VI	6,999	-	25,806,089	25,813,088
VII	249,890	-	26,956,270	27,206,160
VIII	17,525,646	50,637	8,417,806	25,994,089
IX	5,489,564	53,813	40,806,877	46,350,254
X	-	180	26,633,993	26,634,173
XI	336,303	(21,562)	2,537,289	2,852,030
XII	1,266,454	-	27,625,021	28,891,475
XIII	12,934,956	1,770,652	98,529,902	113,235,510
XIV	6,234,148	4,710,680	11,351,658	22,296,486
XV	124,489	-	7,186,924	7,311,413
Total	P 130,668,419	P 17,135,579	P 959,688,671	P 1,107,492,669
	11.80	1.55	86.65	100.00

10.10 It can be gleaned from Table 16 that stock shortages of SAOs that were no longer connected with NFA comprises a substantial portion or 86.65 percent of the total final stock shortages, thus, there is a huge possibility of non-collection or a high difficulty in the recoverability of the said amount.

10.11 These observations were already raised in previous years' audit. We are concerned that utmost efforts and legal remedies available on collection of these final shortages amounting to P1.107 billion had not been fully availed of and enforced, which could result in doubtful collectability and unrecouped losses on stock shortages.

10.12 The delay in the prosecution of the remaining cases involving SAOs affects the collectability of the accounts, the cases of which were not yet filed in appropriate courts, which casts doubt on the full recovery of the receivable account that could have been used to finance NFA's operational requirements.

10.13 In view of the above-mentioned observations, we recommended that Management:

- a. **Require the Legal Affairs Department (LAD) of the Central Office to fast track the resolutions of the cases filed against SAOs; enforce collection of their shortages; and for SAOs no longer connected with NFA, continuously send demand letters to their last known addresses and follow up cases filed at the Ombudsman;**

b. Instruct the DOs/POs to exert utmost efforts to enforce/hasten the collection of the final shortages of SAOs still connected with NFA; and

c. Revisit SOP No. GM-WH13 and prescribe appropriate timeframe so that the final shortages could be established within a reasonable period and immediate collection of shortages could be facilitated.

10.14 As committed during the exit conference on June 6, 2019, Management submitted a List of SAOs who offered to settle their stock shortages through the execution of compromise agreements as of May 31, 2019 as well as the list of SAOs with stock shortages charged with criminal cases as of April 30, 2019.

10.15 As a rejoinder, the NFA-LAD had only submitted a list of documents without attachments to validate the veracity of the details indicated. The Audit Team will verify the information indicated in the list.

Rice Importation

11. NFA constantly increased its approved reference price without consideration of the continuous decline in the price of rice in the world market. Thus, it had not obtained the most advantageous price in the purchase of 1.250 million Metric Tons (MT) well-milled long grains white rice through Government-to-Government (G-to-G) and Government-to-Private (G-to-P) or Open Tender procurement schemes.

11.1 Records showed that on various dates in CY 2018, the NFA Council through various Council Resolutions approved the importation of a total of 1.250 million MT of 15% broken and 25% broken, well-milled long grain white rice on Cost, Insurance and Freight-Delivered at Place, Free on Warehouse (CIF, DAP-FOW) Terms on a G-to-G -and G-to-P or Open Tender procurement schemes, details shown in Table 17.

Table 17 - Importation of Well-milled Long Grain White Rice in CY 2018

NFA Council Resolution No.	Date Approved	Quantity (in MT)	Mode of procurement	Remarks
883-2018-D	04/17/2018	50,000 15% broken	G-to-P	
		200,000 25% broken		
882-2018-D	04/17/2018	200,000 25% broken	G-to-G	
		50,000 15% broken		
905-2018-H-01	09/24/2018	750,000 25% broken	G-to-P	Only 47,000 MT had been successfully bid out
Total		1,250,000		
909-2018-J-04	10/23/2018	203,000 25% broken	G-to-G	
		500,000 25% broken	G-to-P for the 500,000 MT	

11.2 The NFA reference price was computed on the basis of CIF-DAP- FOW wherein the buyer shall assume responsibility of the rice cargo upon seller's delivery in NFA designated receiving warehouses. The cost of unloading and delivery/transport of rice

imports shall be borne by the seller. The buyer shall be responsible only for customs duties and taxes. All other expenses for delivery shall be on account of the seller. Under FOW, actual quantity and weight are final upon arrival of stocks at 1st warehouse.

11.3 The Terms of Reference of a procurement under the G-to-G/G-to-P scheme provides that the bidder may offer their bid either lower or equal to the NFA Reference price and in the event of rejections of offers, the bidders shall be given the chance to submit new offer until 3 pm of the same day, to wit:

V. OFFER/TENDER

Xxx.

*Evaluation of the offer and contract award shall be undertaken on the basis of the lowest price offered **which should be equal or lower than the approved Reference Price**, provided that the offer conforms with the volume and delivery period requirements. The BUYER shall have the discretion to reject any or all offer/s if it finds that the said offer/s is/are unacceptable for any justifiable and reasonable ground where the offer price will not redound to the benefit of the government.(Emphasis ours)*

*In the event of rejections of ALL offers, all offerors shall be given until 3 pm of the same day to submit their revised sealed offers. **The said offers shall again be evaluated on the basis of the lowest price which should be equal or lower than the approved NFA Reference Price** (underscoring ours)*

Xxx

Xxx if required volume and delivery schedule are not satisfied, the next lowest offeror shall be considered provided they match the lowest price offered by the lowest offeror and comply the required delivery schedule.

11.4 Review of the contracts entered through G-to-G procurement scheme and related documents disclosed that NFA may not have obtained the most advantageous price under this mode of procurement due to the following:

- a. Bidder countries offered bid prices higher than the approved NFA reference price;
- b. NFA constantly increased the NFA reference price in view of failure of bidding while the prices of rice in the world market were on a downward trend; and

Bidder countries offered bid prices higher than the approved NFA reference price

11.5 Comparison of the approved NFA reference price with the bid offers and the results of bidding under G-to-G are presented in Table 18.

Table 18– Comparison of the reference price with the bid offers and the result of bidding

Bidding Date	Approved NFA Reference Price (in US\$)		Bid Offer (in US\$)		Result of Bidding
	15% broken	25% broken	15% broken	25% broken	
250,000 MT					Failed- the bid price offered is higher than the NFA reference price.
April 27, 2018					
Thailand			none	520.00	
Vietnam	483.63	474.18	526.50	517.50	
	Revised NFA Reference Price After a failure of Bidding				
May 4, 2018	531.00	520.50			Awarded
Thailand			none	520.00	120,000@ 517.50 Awarded to Thailand 130,000 @ 517.50 Awarded to Vietnam
Vietnam			526.50	70,000 MT 517.50	
			50,000MT	130,000MT	
203,000 MT					Failed – No bidder submitted bids. Submitted letter of regret not to participate in the bidding due to difficulty in complying to NFA Terms of Reference Submitted letter of regret due to time constraint in the preparation of bidding documents. The Vice-Minister suggested to extend the arrival of goods not later than December 15 and 31, 2018
November 6 , 2018		447.88			
Thailand				No offer	
Vietnam				No offer	
November 13, 2018		447.88			Failed - The bid offers were higher than the reference price.
Thailand				480.50	
Vietnam				100,000MT 481.50 203,000MT	
	Reference Price After failure of Bidding				
November 28 , 2018		470.00			Awarded
Thailand				469.80	80,000 MT@469.80
Vietnam				470.00	123,000MT @ 469.70
				123,000MT	Awarded to Vietnam

NFA constantly increased the NFA reference price in view of the failure of bidding due to bid offers higher than the approved NFA reference price while the prices of rice in the world market are on a downward trend

11.6 It can be gleaned from Table 18 that NFA even increased the previously approved reference price when there is a failure of bidding due to bid offers higher than the approved reference price.

11.7 NFA allegedly sets its own reference price which serves as the ceiling of prices to be offered by the bidder countries. The approved NFA reference price was based on the result of study on the trends of the international market and its own market monitoring of prices.

11.8 However, based on the published historical data gathered by the Audit Team in the internet of the prevailing world market price of rice (www.ycharts.com/indicators) from January to December 2018, the cost of 25% broken well milled long grains rice continue to decline from US\$436/MT in May 2018 to US\$391/ MT at the time of bidding in November 2018, as shown in Table 19.

Table 19 - Price per MT of Thailand 25% broken rice for CY 2018

CY 2018	Price/MT US\$
January	422.00
February	411.00
March	418.00
April	436.00
May	436.00
June	415.00
July	390.00
August	393.00
September	393.00
October	397.00
November	391.00
December	395.00

Procurement through G-to-P or Open Tender

11.9 NFA initially approved the reference price for the contract for the procurement of 500,000 MT, 25% broken, well-milled long grain white rice at US\$447.88/MT. The reference price was later revised through issuance of Supplemental Bid Bulletin No. 2 dated November 13, 2018 in which the reference price was increased to US\$470.00.

11.10 Result of the bidding conducted for the procurement of 500,000 MT disclosed the following:

- a. Nine bidders submitted bids lower than the approved NFA reference price of US\$447.88/MT which indicates that even if NFA did not increase its reference price to US\$470.00/MT, there are suppliers who are willing to take the NFA reference price lower by US\$22.12/MT as shown in Table 20.

Table 20- Bidders who submitted bids lower than US\$447.88

Bidder	Lot Number	Bid Bid Offer In US\$
Olam International Limited	Lot 1	429.80
	Lot 3	425.80
	Lot 4	432.10
	Lot 9	434.00
Thai Capital Crops Co. Ltd.	Lot 8	439.75
Meskey and Femtee Trading Company (PVT) Ltd.	Lot 4	440.85
ShweWahYaung Agriculture Production Company	Lot 5	418.65
Capital Cereals Co. Ltd.	Lot 3	443.50
Thai Hua (2511) Co. Ltd.	Lot 9	442.35
Ponglarp Company Limited	Lot 1	445.35
	Lot 3	444.50
	Lot 7	439.75
Asia Golden Rice Company Limited	Lot 1	447.20
Tan Long Group Joint Stock Company	Lot 5	438.00

b. The NFA increased reference price of US\$470.00/MT is an indication that the ABC was not carefully calculated giving the bidders the flexibility to submit bids higher than the prevailing market price. It was noted that the bidders submitted bid as high as US\$466.00/MT. The bid offers are presented in Table 21.

Table 21– Bid Offer higher than US\$447.88/MT

Bidder	Lot Number	Bid Offer In US\$
Vietnam Northern Food Corp. (VINAFOOD I)	3	460.00
	5	450.00
HiepLoi Joint Stock Company	8	455.90
Gia International Corporation	7	459.40
Thai Capital Crops Co. Ltd.	4	452.50
Olam International Ltd.	2	466.00
	5	461.00
	6	459.30
	7	457.70
	8	459.30
Thai Hua (2511)Co. Ltd.	5	466.00
Asia Golden Rice Co. Ltd.	7	458.00
Tan Long Group Joint Stock Company	2	459.00
	3	455.00
	4	455.00
	9	458.00

c. Copy of detailed breakdown of the revised approved NFA reference price was not submitted to the Audit Team, precluding the team from determining how NFA arrived at the revised reference price.

11.11 We recommended that Management cause the submission of the detailed breakdown of reference price for the procurement of the 750,000 MT through G-to-G and G-to-P procurement scheme and the copy of bidding documents of the losing bidders.

11.12 Management provided the following comments:

a. The reference price for the procurement of 750,000 MT through G-to-G and G-to-P procurement scheme was broken down as follows:

FOB (US\$/MT)	FREIGHT (US\$/MT)	SURVEYOR (US\$/MT)	MARINE INSURANCE (US\$/MT)	INTEGRATED CARGO HANDLING (US\$/MT)	INTEREST EXPENSE (US\$/MT)	TOTAL COST (US\$/MT)
(1)	(2)	(3)	(4)	(5)	(6)	
393.00	29.30	1.81	2.95	28.36	14.58	470.00

(1) Quoted FOB price is an average of world market price sourced from Thai Rice Traders (TRE), Thai Rice Exported Association (TREA) and Board of Trade of Thailand at the time when the NFA was authorized to undertake rice importation by the NFA Council. It should be noted that the world market prices cited by Thailand and Vietnam (the country's traditional source market for rice imports)

become volatile even with just an announcement of rice bidding in the Asian regions. Moreover, even if the FOB or the recorded world market price is slightly lower at that time, other cost items tend to increase due to logistics competition in the local market.

(2-5) Freight, Surveyor's Fee, Marine Insurance and Integrated Cargo Handling were based on actual incidental expense of the previous NFA importation submitted by various suppliers of the NFA.

(6) Interest expense was computed at 3.5% per annum and imports were expected to be paid within 6 months.

b. The biddings held on November 6 and 13, 2018 under G-to-G procurement scheme both failed as the bidders could not comply with the Terms of Reference (TOR) at the given Reference Price of US\$447.80/MT. The results of the two failed biddings were deliberated by the NFA management and NFA Council taken into considerations the devastating effects of Typhoon Ompong as well as the accessibility of affordable rice in the market.

c. Several factors were considered to adjust the Reference Price such as: low inventory of NFA stocks at 128,610 MT which last for only four (4) days based on the daily consumption of 32,013 requirements as well as the accessibility of affordable NFA rice in the market; and the high prices of commercial rice which brought additional burden to poor families in the communities, thus, the NFA Management decided to adjust the reference price at US\$470.00/ MT to encourage more bidders to participate in the bidding activity. In view of the revised Reference Price of US\$470.00, the total quantity of 703,000 MT was successfully awarded under the G-to-P and G-to-G for the 500,000 and 203,000 MT, respectively.

d. Bidding documents of the winning and losing bidders were submitted to the Audit Team on February 15, 2019. However, they are willing to provide the Audit Team another set of documents but requesting ample time to retrieve the documents in view of the transfer of NFA's office from SRA building to Visayas Office.

e. They assured the Audit Team that the conduct of biddings followed the required protocol and procedures with utmost care, transparency and advantage to the Philippine government.

11.13 As a rejoinder, the alleged breakdown of NFA reference price submitted to the Audit Team was only a part of the management comment on the observations noted in the procurement of the 750,000 MT of rice through G-to-G and G-to-P procurement scheme and not a separate document prepared in accordance with the 2016 Revised Implementing Rules and Regulations of the Republic Act 9184 which provides that the ABC to be bid shall be prepared by official(s) duly designated by the Head of the Procuring Entity (PE) concerned or by his duly authorized official. It shall be approved by the Head of the Procuring Entity (HOPE) or his duly designated official. The alleged NFA Reference price did not indicate the name of officials who prepared the computation of the reference price and had no approval of the HOPE or his duly designated officials.

11.14 The bid documents of losing bidders were not among the documents submitted on February 15, 2019 as only the copies of perfected contracts and its supporting documents were submitted to the Audit Team. The non-submission of bidding documents of losing bidders precluded the Team to verify the correctness of the BAC decision declaring the bid proposal of Tan Long Group Joint Stock Company as non-compliant to the eligibility requirements of the contract to be bid due to failure to meet the 50% single largest contract.

11.15 The increase in reference price from US\$447.88 to US\$470.00/MT was not properly examined as compared with the result of bid offers in Table 20, hence, NFA may not have obtained the most advantageous price in the purchase of 500,000 MT of long grain white rice based on the following reasons:

- a. Survey/Inspection Cost peg at US\$1/MT based on the bid offers under the previous bidding of G-to-P and G-to-G procurement scheme, thus NFA computation of US\$1.81/MT is excessive by US\$.81/MT.
- b. FOB price computation at US\$393 sourced from TRE, TREA and Board of Trade of Thailand is quite excessive and not reasonable as compared with the FOB price offered by Thai Capital Crops Co. Ltd at US\$355/MT a private company from Bangkok, Royal Kingdom of Thailand and the Supplier 1 and Supplier II of the Socialist Republic of Vietnam with FOB price of US\$364.18/MT and US\$365.50/MT, respectively, through open competitive bidding conducted on October 18, 2018.
- c. Computation of interest expense was not based on the NFA tenor of payment of 15 to 30 days upon receipt of complete set of original documents; hence, the 3.5 percent interest per annum should be pro-rated on the number of months NFA was able to pay its supplier or 0.291% /month. Assuming the delivery and payment took four to six months, the interest expense should be US\$6.87/MT, thus, the computation of US\$14.58/MT is excessive by US\$7.71.

11.16 In addition, it is our view that the most advantageous price in the procurement of the 203,000 MT under the G-to-G procurement scheme may not have been obtained by the government due to unreliable basis of breakdown of cost to come-up with the revised Reference Price of US\$470/MT resulting in the higher reference price as presented below:

Breakdown of bid offer under G-to-G at Reference Price of US\$470/MT

Country Bidder 11/28/2018	FOB (US\$/MT)	FREIGHT (US\$/MT)	SURVEYOR (US\$/MT)	MARINE INSURANCE (US\$/MT)	INTEGRATED CARGO HANDLING (US\$/MT)	INTEREST EXPENSE (US\$/MT)	TOTAL COST (US\$/MT)
Thailand	384.70	35	1.70	5.00	30	13.40	469.80
Vietnam	390.00	32	1.00	6.00	28	13.00	470.00

11.17 Had the NFA come up with the Reference Price based on the prevailing market price, NFA could have attained a competitive proposal lower than the purchase cost of US\$469.80 by US\$21.92 per MT based on the previous reference price of US\$447.88/MT in which there are nine bidders who participated in the bidding conducted on November 20, 2018.

Compliance with RA 9184

Procurement of Construction of NFA Records Center Extension Building

12. The completion of the contract amounting to P5.041 million for the Construction of NFA Records Center Extension Building was delayed due to unwarranted issuance of suspension order equivalent to 55 calendar days and additional delay of 294 calendar days. The Certificate of Completion was already issued and the retention money was released to the contractor, although the construction defects were not rectified by the contractor, thus depriving the Agency of the intended use of the project. Moreover, the delay due to unwarranted issuance of suspension order and additional delay resulted in imposable liquidated damages amounting to P66,861 which was not deducted from the final payment to the contractor.

Unwarranted issuance of approved Suspension Order for the contractor's Request for Time Extension after the contract expiry date contrary to Annex E of the IRR of RA No. 9184 and the General Conditions of the Contract (GCC) resulting in the non-imposition of additional liquidated damages amounting to P66,861

12.1 Evaluation of the contract documents disclosed that the contract's original expiry date was set on February 2, 2017 which is equivalent to 120 calendar days contract duration. Initially, the contractor's Request for Time Extension dated January 4, 2017 was granted for 30 calendar days due to unfavorable weather condition thus, extending the contract duration until March 4, 2017.

12.2 Audit disclosed that from the original 120 calendar days' contract duration it took the contractor 499 calendar days to complete the contract without any remedial action both from the Management and the contractor to expedite the completion of the contract.

12.3 It was observed that the contractor posted only 51.17 per cent accomplishment at the time of the contract expiry date on **March 4, 2017**. Despite the incurrence of **48.83 per cent negative slippage**, NFA did not require the contractor to **submit a catch up plan** or notify the contractor to rescind the contract in case of its failure to complete the contract based on the approved catch up plan. Instead of rescinding the contract, NFA sent a letter dated April 24, 2017 to the contractor that allowed completion of the contract subject to the condition of imposition of liquidated damages.

12.4 Catch up plan is a tool to fast track construction work when there is delay in the construction schedule. Catch-up plan would determine which phase of the construction process needed more workforce and how much time to be spent in each construction phase. Although, the submission of Catch-up plan was already required per NS No. 2019-001 (2018) dated February 13, 2019, no document has yet been submitted to the Audit Team.

12.5 Records showed that there was no request for time extension from the contractor 30 days prior to March 4, 2017, the contract expiration date, thus the contractor is not allowed to claim an amount corresponding to the extension of contract time pursuant to **Annex E of the Revised IRR of RA 9184.**

EXTENSION OF CONTRACT TIME

*10.1. Should the amount of additional work of any kind or other special circumstances of any kind whatsoever occur such as to fairly entitle the contractor to an extension of contract time, the procuring entity shall determine the amount of such extension; provided that the procuring entity is not bound to take into account any claim for an extension of time unless the contractor has, **prior to the expiration of the contract time and within thirty (30) calendar days** after such work has been commenced or **after the circumstances leading to such claim have arisen, delivered to the procuring entity notices in order that it could have investigated them at that time. Failure to provide such notice shall constitute a waiver by the contractor of any claim.***

Request for Time Extension after the contract expiry date on March 4, 2017

12.6 The Construction Project Manager requested for a Time Extension on February 12, 2018 for unworkable days due to unfavorable weather condition totaling 55 calendar days.

12.7 Table 22 are the unworkable days for which the Construction Project Manager requested for a Time Extension and the activities to be undertaken which allegedly affected the completion of the contract.

Table 22 - Unworkable days and Activities to be Undertaken

Date	No. of Days	Reason	Activity	Remarks
June 9-13, 2017	5	Southwest monsoon 21.6 mm rainfall	Finishing Front (outside)	Due to heavy rain finishing outside wall is not possible and needs at least 1 day after a rain to proceed because all must be dry in order to proceed
June 19-22, 2017	4	Typhoon Fabian 61.mm rainfall	Finishing Front (outside)	
June 26- July 6, 2017	11	Southwest monsoon 85.2 rainfall	Finishing Front (outside)	
July 25-27, 2017	3	Typhoon Gorio	Finishing Front (outside)	
August 1-3, 2017	3	Tropical Storm Huaning	Finishing Front (outside)	
August 19-26, 2017	8	Tropical Storm Isang and Jolina	Finishing Front (outside)	painting outside wall is not possible with rains including light showers
September 11-13, 2017	3	Typhoon Lannie	Painting (Outside)	
September 24-27, 2017	4	Tropical Depression Nando	Painting (Outside)	
October 11-13, 2018	3	Tropical Storm Odette	Painting (Outside)	
October 30 to November 2, 2017	4	Tropical Storm Ramil	Painting (Outside)	
November 9-11, 2017	3	Tropical Storm Salome	Site Development	Layout drainage pipe for site development is not possible during rainy days including welding of catch basin.
November 30 to December 1, 2017	2	Heavy Rain with 31.3 mm rainfall	Site Development	
December 18-19, 2017	2	Tropical Storm Urduja	Site Development	
Total	55			

12.8 It can be gleaned from Table 22 that the Request for Time Extension was done after the contract expiry date on March 4, 2017; hence, the contractor is no longer entitled for the claim of unworkable days due to its failure to provide notice to the Procuring entity of any claim for Time Extension **within thirty (30) calendar days prior to expiration of the contract**. Instead of denying the request for Time extension, NFA issued a Suspension Order on February 28, 2018 which was received by the contractor on March 15, 2018 contrary to GCC Clause 26 and 30 which state that:

GCC Clause 26

*The Procuring Entity's Representative shall decide whether and by how much to extend the Intended Completion Date within twenty one (21) days of the Contractor asking the Procuring Entity's Representative for a decision thereto after fully submitting all supporting information. **If the Contractor has failed to give early warning of a delay or has failed to cooperate in dealing with a delay, the delay by this failure shall not be considered in assessing the new Intended Completion Date.***

GCC Clause 30

*"The **contractor shall warn the Procuring Entity's (PE) Representative at the earliest opportunity of specific likely future events or circumstances that may adversely affect the quality of work, increase the Contract Price, or delay the execution of the Works.** (emphasis supplied)*

12.9 Review of the copies of Suspension Orders submitted to the audit team disclosed that there were neither notices from the contractor to the Procuring Entity (PE) representative on the alleged unworkable days nor the PE conducted a site investigation at the time the unworkable days occurred.

12.10 Moreover, Management's schedule of the computation of liquidated damages amounting to P362,219 showed that there were no activities undertaken during the alleged unworkable days. For instance, there was no reported accomplishment from May 17 to June 15, 2017 and June 15 to August 8, 2017 but there were claims for unworkable days between June 9 to 13, June 19 to 22, June 26 to July 6, July 25 to 27 and August 1 to 3, 2017. It is apparent that the Management allowed the suspension of work on the days where there are no activities being undertaken. The leniency of the management in the issuance of Suspension Order has precluded NFA to impose additional liquidated damages in the total amount of P66,861.

Certificate of Completion for the contract issued in the absence of a Punch List duly concurred by the contractor contrary to Clause 44 of the GCC. Moreover, the release of retention money despite the unrectified defects which may potentially result in the incurrence of agency's additional expenses for uncorrected defects by the contractor

Non-preparation of Punch List

12.11 Audit of the Final Progress Billing showed that NFA issued the Certificate of Completion on February 15, 2018 without the Punch List duly concurred by the contractor contrary to Clause 44 of the GCC

Once the project reaches an accomplishment of ninety five percent (95%) of the contract total amount, the Procuring Entity may create an inspectorate team to make preliminary inspection and submit a punch list to the contractor in preparation for the final turnover of project. Said punch list will contain among others, the remaining works, work deficiencies for necessary corrections, and the specific duration/time to fully complete the project considering the approved remaining contract time.

12.12 We issued Notice of Suspension No. 2019-001 (2018) dated February 13, 2019 for the submission of the copy of the Punch List, but NFA submitted only a copy of minutes of meeting dated January 17, 2018.

Non-rectification of defects

12.13 Pursuant to Clause 35 of the GCC, the PE's Representative shall check the Contractor's work and notify the Contractor of any defects that are found. **The PE's Representative may instruct the Contractor to search uncover defects and test any work that the PE's Representative considers below standards and defective.***(emphasis supplied)*

12.14 Inspection conducted by the Audit Team on February 1, 2019 revealed that there are some defects needed to be rectified by the contractor within the liability period.

GCC Clause 37 Correction of Defects

37.1. The Procuring Entity's Representative shall give notice to the Contractor of any defects before the end of the Defects Liability Period, which is One (1) year from project completion up to final acceptance by the Procuring Entity's Representative.

37.2. Every time notice of a defect is given, the Contractor shall correct the notified defect within the length of time specified in the Procuring Entity's Representative's notice.

37.3. The Contractor shall correct the defects which he notices himself before the end of the Defects Liability Period.

37.4. The Procuring Entity shall certify that all defects have been corrected. If the Procuring Entity considers that correction of a defect is not essential, he can request the Contractor to submit a quotation for the corresponding reduction in the Contract Price. If the Procuring Entity accepts the quotation, the corresponding change in the SCC is a Variation.

38. Uncorrected Defects

*38.1. The Procuring Entity shall give the Contractor at least **fourteen (14) days' notice** of his intention to use a third party to correct a Defect. If the Contractor does not correct the Defect himself within the period, the Procuring Entity may have the Defect corrected by the third party. The cost of the correction will be deducted from the Contract Price.*

12.15 The Audit Team observed the following defects needed to be rectified by the contractor a) Crack on slabs at the rooftop b) uneven rendering/plastering at the rear side of the wall c) paint blisters d) crack on main door e) defective smoke detector .

12.16 We noted that the area at the second floor is still not serviceable due to cracks on slab at the rooftop causing leak on the second floor during rainy days. Interview with the Officer-in-Charge- ACA Records Center revealed that leaks were visible and just move to another area despite two coatings of water proofing mixture. According to civilclick.com, there are few reasons why concrete cracks:

- a. Crack formed due to compromises in concrete quality.
- b. The mixture of concrete was not mixed well.
- c. The water and cement ratio in concrete was not as per design.
- d. The Spacing between main and distribution bars are more.
- e. Reinforcement design was not done in proper way.
- f. Concrete cover was not sufficient according to given standards.
- g. Insufficient amount of steel reinforcement.
- h. Improper design of the structure.
- i. When concrete was not cured well according to given standards.
- j. When formwork of the concrete was not fully tight.
- k. If bending wires are not fully tight.

12.17 If these cracks remain uncorrected/not fixed, it can lead to a wider severe cracking over time.

12.18 Although NFA management notified the contractor in its letter dated February 8, 2019 for all the deficiencies noted, no rectification has been made as of March 29, 2019.

Release of Retention Money

12.19 Despite the defects to be rectified by the contractor, the retention money was released to the contractor contrary to GCC Clause 42.

12.20 GCC Clause 42 provides for the following provisions for the release of Retention Money deducted from the Progress billing of the contractor:

42.1 xxx

*42.2. Progress payments are subject to retention of ten percent (10%), referred to as the "retention money." Such retention shall be based on the total amount due to the Contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of Works, as determined by the Procuring Entity, are completed. If, after fifty percent (50%) completion, **the Work is satisfactorily done and on***

schedule, no additional retention shall be made; otherwise, the ten percent (10%) retention shall again be imposed using the rate specified therefor. (emphasis supplied)

42.3. The total “retention money” shall be due for release upon final acceptance of the Works. The Contractor may, however, request the substitution of the retention money for each progress billing with irrevocable standby letters of credit from a commercial bank, bank guarantees or surety bonds callable on demand, of amounts equivalent to the retention money substituted for and acceptable to the Procuring Entity, provided that the project is on schedule and is satisfactorily undertaken. Otherwise, the ten (10%) percent retention shall be made. Said irrevocable standby letters of credit, bank guarantees and/or surety bonds, to be posted in favor of the Government shall be valid for a duration to be determined by the concerned implementing office/agency or Procuring Entity and will answer for the purpose for which the ten (10%) percent retention is intended, i.e., to cover uncorrected discovered defects and third party liabilities. (emphasis supplied)

12.21 Although the contractor submitted a surety bond callable on demand in lieu of the release of retention money, NFA did not notify the Insurance Company for the non-rectification of defects by the contractor. Moreover, the surety bond is only valid until February 23, 2019, thus, any claims by NFA to the insurance company may no longer be honored.

12.22 The non-completion of the contract on its intended completion date deprived the agency of the maximum benefits that could be derived from the project.

12.23 **We recommended that the Management:**

- a. **Impose additional liquidated damages to the contractor in the total amount of P66,861; and**
- b. **Direct the Legal Affairs Department and the Internal Audit Service Department to:**
 - b. 1 **File appropriate charges against NFA personnel who issued Certificate of Completion and release the retention money despite the defects to be rectified by the contractor; and**
 - b.2 **Demand the Contractor to correct all the defects noted at no extra cost to NFA or file appropriate charges for non-completion of the contract in a proper and workmanlike manner.**

12.24 The management informed the Audit Team that the contractor signed a conformity/commitment to pay NFA of the additional damages in the total amount of P66,861. Management submitted copies of picture which showed that the defects noted during the conduct of inspection were rectified by the contractor.

12.25 As a rejoinder, although the contractor was allowed to complete the contract, still the agency was deprived of the maximum benefit that could be derived from the project

because during our ocular inspection on February 1, 2019, we noted that the area at the second floor was still not reasonable ready for its intended use due to cracks on slab at the rooftop causing leak on the second floor during rainy days. Interview with the Officer-in-Charge- ACA Records Center revealed that leaks were visible and just move to another area despite two coatings of water proofing mixture.

12.26 The corrected defects made by the contractor will be validated and subject to technical evaluation.

Warehousing Operations

13. Some provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification, and good warehouse-keeping were not strictly observed at NFA warehouses which could result in environmental and health hazards and losses due to grain damage/deterioration and theft/pilferage of stocks.

13.1 Ocular inspection of some NFA warehouses revealed certain provisions and requirements of NFA SOP No. GM-WH07 dated January 10, 1995 were not strictly observed by some NFA POs, as presented in Table 23.

Table 23- Results of Ocular Inspection of Warehouses

Provincial Offices	Deficiencies
<i>On Custody of Warehouse</i>	
NCR – NDO, CDO, EDO Region III – Zambales Region IV – Mindoro Region VIII – Biliran, Northern Leyte, Eastern Samar, Northern Samar	The wearing of identification cards for regular employees and workers provided by the labor contractor are not being required, which makes it difficult to determine whether all contract workers who are allowed access to the warehouse premises are legitimate contract workers.
Region III – Zambales	Though the accountability lies on the Warehouse supervisor, it was noted that there were times that the WSII was not present even though there are warehouse transactions such as sales and transfer of stocks. It was also observed that the Warehouse Supervisor had delegated his responsibility or that of his Warehouse Assistant to a job order personnel. Warehouse documents were prepared by the job order personnel assigned in the warehouse.
Region VIII – Northern Samar, Eastern Samar	WS assigned at San Pablo Warehouse was also assigned to Cogon Warehouse with the aid of one Assistant WS and one Clerk without considering the distance of approximately 10-12kms from one warehouse to another which may affect the performance of their duties and responsibilities. In Hindang, Eastern Samar, some of the duties/responsibilities like weighing and releasing of rice were delegated to the Job Order (JO) personnel whenever the Warehouse Supervisor is on leave.

Provincial Offices	Deficiencies
Region VIII – Northern Leyte	Some of the duties/responsibilities of the WS were delegated to the former clerk assigned thereat with contract expiry as of December 31, 2018. In the ensuing year, two personnel were assigned at the warehouse, the WS and his Assistant on morning and night shifts. In an ocular inspection, an unloading operations was undertaken on shifting duty. The WS was performing receiving and releasing of stocks and other related duties on the 1st shift while the Assistant WS, was assigned to perform his/her warehousing duties during the 2nd shift.
<i>On Piling System</i>	
NCR – CDO	Pile levels of stocks in some warehouses were 32-35 layers which almost reached the roof instead of the maximum allowable safe height pile. This exposed the stocks to heat coming from the roof.
Region III – Zambales Region VIII – Biliran, Northern Leyte, Eastern Samar, Northern Samar	Some stock piles were not squarely levelled off on top. It was observed on the top piles that only the sides were squarely piled while the inner part was unevenly piled. This could result in inaccurate volumetric count and undetected theft/pilferages.
Region VIII – Biliran	Some sides and tops of piles were not covered by mended empty sacks exposing the stocks to birds' direct attack and wastes and spillages were not swept immediately that could result in losses due to non-recoverability of the stocks/sweepings.
NCR – NDO, CDO, EDO Region III – Zambales Region VIII – Biliran	There are piles with no bin card and if ever there is a bin card attached, only the receipts of stocks were recorded or they were not updated as some information such as age, variety, moisture content, condition was not filled up.
<i>On Storage Structure and Specification</i>	
NCR – NDO, CDO, EDO Region III – Zambales Region IV – Mindoro Region VIII – Biliran, Northern Leyte, Eastern Samar, Northern Samar	Cracks on the floor of all warehouses have remained unrepaired exposing the stored rice to ground moisture and may cause the accumulation of dust, dirt, residue and where insects can breed which might affect or damage the stored rice. Doors and openings/vents of the warehouses were either not screened or have deteriorated screen wires and do not have secondary screen doors allowing rats and birds to freely enter the warehouses causing spillage, infestation and contamination.
NCR – EDO Region VIII – Biliran, Northern Leyte, Eastern Samar, Northern Samar	There were leaks and holes in the roofs of several warehouses. The entire floor area is still utilized even during the rain where leaks were revealed. The piles where the leaks are directed were only covered to prevent from being wet.
Region VIII – Northern Leyte	The GID compound where the warehouse is located has no perimeter fence from both sides and back of the land lot, exposing the warehouse from thefts and other possible untoward incidents. It was revealed during the ocular inspection that an incident of theft occurred sometime in CY 2018. In Catbalogan GID compound where the warehouse is located, it has a perimeter fence from both sides and back of the land lot. However, the same is only about two (2) meter high as manifested by the surpassing houses beside the fences, thereby exposing the warehouse from thefts and other possible untoward

Provincial Offices	Deficiencies
	incidents. In the ocular inspection an indication of deliberate entry to the warehouse compound occurred as evidenced by the damaged concrete fence and distorted barbed wires, sometime in CY 2018.
<i>On Good Warehousekeeping</i>	
NCR – NDO, CDO, EDO Region VIII – Biliran, Northern Leyte, Eastern Samar, Northern Samar	Advance technology such as closed-circuit televisions (CCTVs) and other structures such as watch towers, bridges and safety nets/screens were not utilized to monitor activities/protect stocks inside the warehouses.
NCR – CDO, EDO Region VIII – Northern Leyte, Eastern Samar	Unused pallets/empty sacks as well as some unserviceable equipment were stored inside the warehouse which will be a place for hiding and breeding of rats, insects and pests.
Region VIII – Northern Leyte, Eastern Samar	Canals were not cleaned and unclogged. Weeds and muds surround the warehouse particularly in Alang-alang warehouse where there was presence of unused/busted sacks and garbage. Trash and rubbish were seen in the rear and side portion of the warehouse compound where houses are built beside the fence in Catbalogan GID WH. Weeds and garbage were evident at the back side of the Hindang warehouse.
NCR – CDO, EDO Region IV – Mindoro Region VIII – Biliran	Fire extinguishers are expired or insufficient in numbers in some warehouses.
NCR – EDO Region VIII – Northern Leyte	The warehouses were not well-lit. There are piles of stocks that block the light coming from the sun. The fluorescent bulbs placed at the left and right sides walling of the warehouse cannot sufficiently lit the entire warehouse. A good lighting system allows proper visibility to avoid collisions and/or accidents.
NCR – CDO, EDO Region VIII – Biliran, Northern Leyte, Eastern Samar, Northern Samar	Personnel and labourers did not wear dust masks during warehouse operations.
NCR – CDO, EDO Region VIII – Northern Leyte, Eastern Samar	Warning signs and color codes were not adopted to caution danger or hazardous situations.
Region III – Zambales Region VIII – Eastern Samar	Despite the posting of “No Smoking” signage inside the warehouses, it has been observed that some employees and laborers were still smoking inside the warehouses. IN CDO warehouses, cigarette butts, animal feces and animal urine were seen inside the warehouse. These were unsanitary and hazardous to a food storage facility

13.2 Non-adherence to warehousing policies and procedures could result in environmental and health hazards and losses due to damage/deterioration and theft/pilferage of stocks. Likewise, the low stock level could not be readily determined at any given time if the required updating of stock/bin cards was not complied.

13.3 We recommended that Management:

- a. Address the deficiencies noted on warehouse custody, piling system, storage structure and specifications and warehouse keeping and henceforth, strictly comply with the provisions of NFA SOP No. GM-WH07;**
- b. Ensure that the agency engineering team be regularly fielded to conduct inspection of all facilities for early detection of their physical conditions so that the necessary action can be immediately provided;**
- c. Facilitate the immediate repair of the warehouse defects particularly the cracks on the floors, leaks and holes on the roofs, to prevent further warehouse deterioration and damage to the stocks, which could result in losses to NFA;**
- d. Ensure that Warehouse Supervisor shall be assigned to one warehouse only to enable him to fully exercise the diligence of a good father of a family in the custody of warehousing; and**
- e. Consider the utilization of advance technologies such as CCTVs at all NFA warehouses to monitor the activities inside the warehouse.**

13.4 During the exit conference on June 6, 2019, Management committed to implement the audit recommendations subject to the availability of funds.

13.5 As a rejoinder, the Audit Teams appreciated the actions taken by Management in implementing the recommendations. However, regular monitoring will be conducted as these are observations also in the prior years' that were not fully addressed by Management. Maintenance of warehouses should always be prioritized and the required funds be made available.

Corn Development Fund (CDF)

14. The grant, utilization, disbursement and recording of fund transfers amounting to P3.650 million from the NFA CDF to the Philippine Maize Federation Inc. (PHILMAIZE) from CYs 2007 to 2018 was not in accordance with COA Circular No. 2007-001 dated October 25, 2007 and NFA SOP No. TS-ES22, thus rendering the fund transfers of doubtful regularity due to: (i) the non-submission of eligibility documents and non-liquidation of the previous cash advance; (ii) the fund transfer treated as direct expense instead of receivables from PHILMAIZE; and (iii) conflict of interest.

14.1 Audit of CDF transactions disclosed that PHILMAIZE, a private organization, is a regular beneficiary of the NFA CDF from CYs 2007 to 2018. Records showed that NFA-CDF transferred a total amount of P3.650 million to PHILMAIZE from CYs 2007 to 2018 for the implementation of its various activities and projects, details shown in Table 24.

Table 24- Fund Transfers to PHILMAIZE, CYs 2007 to 2018

Date	Particulars	JEV/CK No.	Amount
7/25/2007	Study tour on corn post-harvest systems, technology and trade.	JEV-2007-07-009832 Ck#106157	500,000
2/2/2009	Reimbursement of meals & accommodation expenses incurred during the 5th Philippine National Corn Congress held in Punta Villa Resort Arevalo, Iloilo City on January 9-12, 2008.	JEV-2009-02-000793 Ck#110712	300,000
5/28/2009	Payment of counterpart fund re: 6th Corn Congress in Legaspi City Albay, last April 16-18, 2009 charged to CDF fund.	JEV-2009-05-008382 Ck#110812	300,000
1/18/2011	Payment of grant re: 7th Corn Congress held last October 6-8, 2010 at Reina Mercedes, Isabela City.	JEV-2011-01-000312 Ck#119935	300,000
1/3/2013	Reimbursement of grant for the conduct of the 8th Phil. National Corn Congress held last September 26-28, 2012 at Davao City charged to CDF fund.	JEV-2013-01-000018 Ck#145302	300,000
1/13/2014	Payment of the CDF as Co-organizer of the Philippine Corn Congress held on October 22-25, 2013.	JEV-2014-01-000899 Ck#164113	300,000
3/12/2015	PHILIPPINE MAIZE FEDERATION, INC. - Set-up Payable for the reimbursement of expenses chargeable to the CDF counterpart fund as co-organizer of the 10th Phil. Corn Congress held at Cagayan De Oro City last Nov. 17-21, 2014.	JEV-2015-03-002019 Ck#164304	300,000
1/21/2016	Payment/ Reimbursement of expenses incurred by CDF	JEV-2016-01-001685 Ck#164462	300,000
12/21/2017	Payment / Cash advance to cover cost of rice and corn stock, transport, materials & other related operation expenses for the Re-launch at Davao City of the rice-corn blend project.	JEV-2017-12-016840 Ck#600041	200,000
4/24/2018	Reimbursement of expense for the following CDF Project: 13th Phil. Nat'l. Corn Congress (PNCC) at the PICC on Nov. 22-24, 2017 P300,000.00 Rice Corn Blend Project (RCB) of 13th PNCC on Nov. 22-24, 2017	JEV-2018-04-003815 CK#600144	550,000
8/30/2018	Reimbursement of expenses for the 14th Philippine National Congress to be held on November 14-16, 2018.	JEV-2018-011155 CK#643722	300,000
Total Fund Transfer			P3,650,000

14.2 COA Circular 2007-001 dated October 25, 2007 provide the revised guidelines on the granting, utilization, accounting and auditing of the funds released to Non-government Organizations/People's Organizations (NGOs/POs). The COA Circular was issued to provide the necessary controls in the release and utilization of funds as well as to promote transparency and accountability, including monitoring of the implementation of projects funded out of the funds granted to NGOs/POs.

Reimbursement of expenses amounting to P0.850 million to the PHILMAIZE despite non-submission of eligibility documents and non-liquidation of the previous cash advance amounting to P200,000

14.3 Verification disclosed that reimbursement of expenses was made to PHILMAIZE for the 13th and 14th Rice and Corn Congress amounting to P0.850 million despite the absence of liquidation report from its previous cash advance granted on December 21,

2017 under Check No. 600041 in the amount of P200, 000 for the Re-launch of RCB Project held on December 21, 2017 in Davao City.

14.4 COA Circular 2007-001 dated October 25, 2007 provides that:

4.0 GUIDELINES

4.5 Procedure for the Availment, Release and Utilization of Funds

4.5.5 In case of staggered fund releases or new fund release covered by another MOA, no NGO/PO shall receive additional releases unless an interim Fund Utilization Report of the previous release certified by its Accountant and approved by its President/Chairman is first complied with, showing summary of expenses and a status report of accomplishment evidenced by pictures. The validity of this document shall be verified by the internal auditor or equivalent official of the GO.xxx

5.0 ACCOUNTING AND REPORTING

5.4 Within sixty (60) days after the completion of the project, the NGO/PO shall submit the final Fund utilization report certified by its Accountant and approved by its President/Chairman to the GO, together with the inspection report and certificate of project completion rendered/issued by the GO authorized representative, list of beneficiaries with their acceptance/acknowledgement of the project/funds/goods/ services received. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.

14.5 The reimbursement made to PHILMAIZE despite the absence of liquidation report from its previous cash advance was not in accordance with the afore-cited COA Circular which prohibits additional or new release of funds to NGO/PO unless a Fund Utilization Report of the previous release is first complied with, showing the summary of expenses and status of accomplishment.

14.6 On the other hand, SOP No. TS-ES22 Revised SOP on the Management and Utilization of the CDF provides the following criteria on the availment of grant for various corn development programs:

a. A grant may be availed of, to fund training programs (which supplement a loan package) /seminars/workshops/observation tours on corn production, corn marketing, entrepreneurial development, corn, post-harvest technology/corn processing, specialized course on corn mycotoxin, corn market matching, corn product and by product and by-product utilization, corn oil extraction, feeds and feeding and other related studies or developmental projects that may be found relevant and beneficial to the corn industry. The grant may also be availed of to fund capital outlay such as construction/establishment or purchase of production and post-harvest facilities and equipment for corn provided

the said facility is a component of the grant. Unless approved by the CornDev Committee, the capital outlay shall not exceed 50% of the grant;

b. The grant should not exceed P500,000 for any one proponent;

c. The grant shall be used exclusively for the purpose for which it was approved. It cannot be used for payment of salaries which shall be shouldered by the proponent as part of its equity;

d. In case the grant is used to fund a research/study, the output shall be co-owned by the grantee and NFA;

e. The grantee shall submit a report on the utilization of funds prepared by the Accountant and certified correct by the President/Chairman of the Farmer's Organization within the period provided in the approved project schedule.

14.7 Accordingly, the Proponents for loan or grant shall submit through the Provincial Support Group (PSG) an application letter addressed to the Chairman, CornDev Committee. The PSG shall receive/acknowledge receipt of the application letter and require the proponent to submit the following basic eligibility requirements:

- a. Project Proposal Brief*
- b. Audited Financial Statements (3 years)*
- c. Certified photocopy of Cooperative Development Authority (CDA)/Security and Exchange Commission (SEC) Certificate of Registration for non-cooperatives*
- d. Articles of Incorporation and By-Laws*
- e. CDA/SEC Certificate of Good Standing*
- f. Updated list of officers and members*

14.8 Grants shall be released to the beneficiary in lump sum or in tranches. Upon completion of the following requirements:

- i. Memorandum of Agreement (MOA), or in case NFA is the grantee, a Term of Reference for the project shall be prepared by the Proponent-Department instead of MOA;*
- ii. CDF Committee Resolution approving the proposal; and*
- iii. Beneficiary's Board Resolution stating the name of authorized representatives to receive the check representing loan proceeds or the beneficiary' bank account number to which the proceeds will be deposited.*

14.9 We noted that except for the copy of the Project Proposal, Statement of expenses and the CDF Committee Resolution for the 13th and 14th Corn Congress that were attached to the disbursements voucher, PHILMAIZE did not submit its eligibility documents to support the reimbursement of the fund transfer, such as a) Audited Financial Statements for the last three years; b) Certified photocopy of Security and Exchange Commission (SEC) Certificate of Registration; c) Articles of Incorporation and By-Laws;

d) Updated list of officers and members; and e) A sworn affidavit of the Secretary of the NGO/PO that none of its incorporators, organizers, directors or officials is an agent of or related by consanguinity or affinity up to the fourth civil degree to the officials of the GO authorized to process and/or approved the proposal, the MOA and the release of funds, thus, propriety of the fund transfers cannot be determined.

Fund transfer to PHILMAIZE amounting to P200,000 in the CDF books of accounts treated as direct expense instead of as receivables from NGO/CSO

14.10 Records showed that there was an outstanding fund transfer to PHILMAIZE amounting to P200,000 per Check No. 600041 dated December 21, 2017 which remained unliquidated as of December 31, 2018 . The fund transfer was intended for the cost of rice and corn, transportation, materials and other related operational expenses for the Re-launch of Rice Corn Blend Project in Davao City on December 21, 2017. Also, the fund transfer was treated as direct expense pursuant to Committee Resolution L-2K17, series of 2017. The same Committee Resolution also provides that the NFA through the CDF will advance to PHILMAIZE the amount of the fund transfer subject to liquidation. However, treating the fund transfer as direct expense instead of receivables, there is a potential risk that PHILMAIZE might be released from the responsibility and accountability in the disposition and utilization of the funds as the fund transfer might not be easily monitored.

Direct influence of the President of the PHILMAIZE in the approval of the grant / financial assistance being a member of the CDF Committee is a valid ground for the disqualification of the organization from the grant government funds pursuant to paragraph 4.4.8 of COA Circular 2007-001 dated October 25, 2007.

14.11 Pursuant to Special Order (SO) Number AO 2K6-017 dated December 22, 2006, the President of PHILMAIZE Federation, Inc. was designated as member of the CDF Committee representing the Private Sector- Corn Producer. He was also then the President of PHILMAIZE

14.12 As of December 31, 2018, the President of the PHILMAIZE Inc. who is also a member of the CDF Committee receives honoraria and fixed allowances for representation and travelling expenses. He was also allowed to reimburse transportation expenses incurred for his travel from Cagayan de Oro City (his residence) to Manila whenever the Committee convenes.

14.13 COA Circular 2007-001 dated October 25, 2007 provides under paragraph 4.4 the requisites for the entitlement to government funds one of which is:

4.4.8 A sworn affidavit of the Secretary of the NGO/PO that none of its incorporators, organizers, directors or officials is an agent of or related by consanguinity or affinity up to the fourth civil degree to the officials of the GO authorized to process and/or approved the proposal, the MOA and the release of funds. Relationship of these nature shall automatically disqualify the NGO/PO from being granted the fund.

14.14 Thus, the COA Circular prohibits the transfer of funds to an NGO/PO where its incorporators, organizers, directors or officials is an agent or related to the officials of the government agency who are authorized to approve the proposal, the MOA and the release of funds.

14.15 Based on the provisions of the afore-cited Circular, PHILMAIZE is automatically disqualified from entitlement to government funds as its President is a member of the CDF Committee and therefore has a direct influence in the approval of PHILMAIZE 's proposal or application for funding.

14.16 **We recommended that Management:**

- a. Strictly comply with the provisions of COA Circular 2007-001 on the transfer of government funds to NGO/CSO ;**
- b. Instruct the NFA-CDF ASD to recognize in the NFA CDF books of accounts the fund transfer to PHILMAIZE as receivable from NGO/CSO to establish the accountability of the beneficiary to liquidate the funds and to require the submission of accomplishment and liquidation reports; and**
- c. Ensure that only qualified NGO/CSO shall be the recipient of government funds.**

14.17 Management explained that PhilMAIZE Federation, Inc. has been the NFA-CornDev's partner in disseminating information and promoting/advocating corn development programs intended for use of the corn industry for its corn development projects. Through the conduct of the Philippine National Corn Congress, PhilMAIZE has the linkage to the corn industry stakeholders because of its direct connection to corn farmers, producer and consumers, making it the proper and right avenue for CornDev to co-sponsor in the said undertaking. As co-sponsor, the CornDev can advocate and showcase projects and technologies to a large scale of corn farmers and other participants, which can be potential beneficiaries to CornDev projects.

14.18 They also asserted that the activities undertaken by CornDev in coordination with PhilMAIZE are considered promotional undertakings under CornDev Advocacy program, where funds are charged for this purpose. As such, any or all disbursements made by the NFA-CornDev in favor of PhilMAIZE is not treated as donation nor grant but were recorded as direct expense supported by Official Receipts and other documentary requirements in accordance with existing NFA accounting rules and regulations. The NFA-CornDev also is mindful of the COA Circular No. 2007-01 dated October 25, 2007 on the Revised Guidelines in the granting, utilization, accounting and auditing of funds released to NGO/PO, therefore, the NFA CornDev did not violate the aforesaid rule, since the fund release made to PhilMAIZE were not grants nor donation but a direct expense which is part of CornDev's advocacy project that can be funded as part of its effort to promote corn development projects for the corn industry.

14.19 As a rejoinder, the fund releases to PHILMAIZE whether treated as direct expense or grant is a transfer of government funds to Non-Government Organizations (NGO). The Audit Team noted that the CornDev funds were transferred to only one NGO in the past 10 years for the same CDF undertaking (The National Corn Congress) while the NGO

President requesting for financial assistance is also a member of the CDF Committee responsible in the allocation of budget for the undertakings to be implemented during the year and a signatory of the Committee Resolutions approving the request for financial assistance. This relationship has given PhilMAIZE favorable advantage over other corn cooperative to benefit from the said funds and is considered as conflict of interest as the PhilMAIZE President has direct influence in the approval of financial assistance and transfer of government funds which is a valid ground for the disqualification of the organization from the transfer of government funds pursuant to paragraph 4.4.8 of COA Circular 2007-001 dated October 25, 2007.

14.20 The management and utilization of the CDF was governed by SOP TS-ES22 which specified that the fund assistance schemes will be either through **grant or loans** to qualified beneficiaries, thus, treating the financial assistance with PhilMAIZE as direct expense as part of CDF promotional undertaking is contrary to the same CDF policy in the management and utilization of the funds. Since CornDev is a government fund held in trust by the NFA, the said fund is still subject to existing government policy, accounting and auditing rules, thus all the documentary requirements in the transfer of government funds to NGO must be fully complied with

Electronic Integrated Financial and Operations Management Information System (E-IFOMIS)

15. The contract for e-IFOMIS project amounting to P14.448 million remained not fully operational despite the several time extensions granted resulting in wastage of government resources amounting to P1.931 million and depriving the NFA of the benefits of the project.

15.1 In previous year's audit, the Audit team noted that there had been gross and blatant delay by 1,645 days, in the completion of the e-IFOMIS Project with a contract amount of P14.448 million, which as of June 30, 2013, the latest time extension, remained not fully completed, resulting in the imposable liquidated damages of P1.445 million, and provided grounds for termination of the contract. Moreover, documents to support the reported 96.21 percentage of completion could not be provided by Management despite prior year's audit recommendation, which casts substantial doubt on the actual accomplishment of the project and the validity of the project implementation. Furthermore, the non-movement of the percentage of completion of the project since CY 2016 and the lack of specific commitment date to complete the project revealed NFA's negligence to compel the contractor to abide with the provisions of the contract, thereby depriving NFA the benefits which may be derived from the completed project.

15.2 As of March 31, 2019, Corporate Planning and Management Services Department -Information System Development Division (CPMSD-ISDD) reported the percentage of completion of the E-IFOMIS project at 97.12 per cent which is 0.91 per cent higher than last year's percentage of completion. In terms of paid progress billings, there was no movement in the prior year's paid amount of P1,931 million or still at 13.37 per cent of the total contract.

15.3 To date, Management still was not able to provide the Audit Team a certified copy of the contract for time extension after June 30, 2013 as well as documents supporting the reported project accomplishment of 96.21 per cent as required in prior year's audit

recommendation. Nevertheless, the Management contracted a Joint Deed of Undertaking (JDU) dated March 13, 2018, for a one year extension, for the final completion of the project, despite the fact that this JDU was already not binding since the original contract had already expired for a long time. More so, given that an extension was granted, the undertaking was only allowed to lapse and the project was still not fully completed.

15.4 In view of the foregoing, NFA Management has been so considerate to the contractor despite gross negligence to perform completion of the E-IFOMIS project. In fact, NFA has allowed several extension contracts including the aforementioned JDU thus, casting doubt on Management's purpose in still continuing the said project. Furthermore, the Consultant tends to unwillingly perform the completion of the project, thereby, removing NFA's opportunity to utilize the benefits from the said project, hence, it suffered enormous cost due to delayed project implementation.

15.5 We recommended that Management (i) refrain from entering into any further Deed of Undertaking with the contractor for the completion of the project as it is no longer beneficial to NFA's operation, to avoid further wastage of public funds and (ii) require the implementation/adoption of E-IFOMIS in all NFA Offices to determine the functional capability of the system considering the time that has elapsed since the project was started.

15.6 Management provided the following comments:

- a. No billing statement was issued by the contractor for the 0.91 per cent increase in the percentage of completion as of March 31, 2019.
- b. The NFA Executives validated the implementation of the running modules in Batangas Regional and Provincial Offices. The modules satisfactorily met the expected output as defined.
- c. Despite the delays in the contract extension and agreement due to changing manpower and availability and resistance to management policies as affected by the computerized system, the Agency has to continue to adopt the E-IFOMIS without additional cost to defray the contractor. As of March 31, 2019, the E-IFOMIS has been operating in the corresponding offices: Central Office, NCR, EDO, NDO, Region IV, Batangas PO, Laguna PO, La Union PO and Pampanga PO.

15.7 As a rejoinder, upon evaluation of the management's comments, the Audit Team cannot validate the 97.21 per cent accomplishment due to lack of actual evidence to support the claim that modules were operational. Regardless of the operability of certain modules being used in mentioned offices, it is not still considered as fully operational since it defeated the purpose of the system which is a computerized NFA's financial and operational transactions, as a whole and not by part.

15.8 The Audit Team will evaluate the extent to which the E-IFOMIS is implemented/used to generate financial reports.

Disaster Risk Reduction and Management (DRRM)

16. The delayed and inadequate response and/or action of NFA-CO during the recent 6.1 magnitude earthquake that struck large portions of Central Luzon manifested the lack of an established Disaster Preparedness, and Disaster Mitigation and Awareness dissemination contrary to the goals and objective of R.A. No. 10121, otherwise known as the Philippine DRRM Act of 2010". Furthermore, the obsolescence of the NFA Disaster Preparedness Manual and Standard Operating Procedure (SOP) No. SP-OT01 adversely affected the NFA's operations as a whole, and its mandate to immediately respond to calamities and disaster.

16.1 R.A. No. 10121 also known as the "Philippine Disaster Risk Reduction and Management Act of 2010" signed into law last May 27, 2010, provides among others, the following:

Section 2. Declaration of Policy. – It shall be the policy of the State to:

Xxx

(c) **Incorporate internationally accepted principles of disaster risk management** in the creation and implementation of national, regional and local sustainable development xxx;

(d) **Adopt a disaster risk reduction and management approach** that is holistic, comprehensive, integrated, and proactive in **lessening xxx impacts of disasters**xxx;

(e) Develop, promote, and implement a comprehensive National Disaster Risk Reduction and Management Plan (NDRRMP) that aims to **strengthen the capacity** of the national government and the local government units (LGUs), together with partner stakeholders, to build the disaster resilience of communities, and to **institutionalize arrangements and measures for reducing disaster risks**, including xxx **enhancing disaster preparedness** and response capabilities at all levels;

(f) Adopt and implement a coherent, comprehensive, integrated, efficient and **responsive disaster risk reduction program incorporated in the development plan at various levels of government** adhering to the principles of good governance xxx;

Xxx

(h) **Institutionalize the policies, structures, coordination mechanisms and programs** with continuing budget appropriation on disaster risk reduction from national down to local levels towards **building a disaster-resilient nation and communities**;

Xxx

Section 14. **Integration of Disaster Risk Reduction Education into the School Curricula and Sangguniang Kabataan (SK) Program and Mandatory Training for the Public Sector Employees.** Xxx

Xxx

The **public sector employees** shall be trained in emergency response and preparedness. The training is mandatory for such employees to comply with the provisions of this Act. (emphasis supplied)

Xxx

16.2 To address the occurrence of the disaster, NFA issued SOP No. SP-OT01 titled “NFA Disaster Calamity Preparedness and Action Plan” effective last May 15, 1985 which sets out the procedures to be performed whenever calamity is declared, the creation of a Disaster Action Group and formulation of Action Plan which are vested to the Office of the Deputy Administration for Operations. It also sets guidelines to address the communication services, relief services, evacuation and engineering, health services and transportation services during disasters.

16.3 Likewise, NFA issued NFA DRRM Manual which aims to:

- a. Define the responsibilities of NFA field personnel involved in disaster operations;
- b. Establish guidelines and procedures for implementation before, during and after a calamity/disaster;
- c. Adopt operation plans and programs on food security for implementation in the field; and
- d. Facilitate the delivery of relief services to calamity and disaster victims in the form of emergency rice releases.

16.4 With the occurrence of the 6.1 magnitude earthquake last April 22, 2019, NFA employees and personnel, including the Audit Team had undertaken on their own, without the assistance of GSD, the packing-up, transfer and set-up of temporary offices together with the pull-out of files, office equipment, furniture, and other articles and items that they deem fit and useful in their set-up of offices. There was chaos among the NFA employees and personnel as there were no such measures indicated or disseminated in the DRRM Manual and NFA SOP.

16.5 As of this date, NFA employees and personnel were still held in temporary places which serve as offices. With the onset of the rainy season combined with the poor structural configuration of the temporary office, the NFA is again faced with another dilemma that needs to be addressed immediately. Likewise, this current set-up explicitly shows NFA’s lapses to name a few:

1. Inability to incorporate principles of disaster risk management in its Corporate DRRM Plan.

2. Insufficient disaster preparedness which failed to strengthen the capacity to institutionalize arrangements and measures for reducing disaster risks.
3. Absence of responsive disaster risk reduction program in its development plan at various levels or stages of the organization.
4. Failure to institutionalize the policies, structures, coordination mechanisms and programs on disaster risk reduction, instead of being a disaster-resilient organization.
5. Lack of proper or complete training, education and/or dissemination on disaster risk reduction preparedness and resiliency.
6. Prolonged usage of outdated SOP and Manual.

16.6 We recommended that Management:

- a. **Update the existing DRRMP and SOP No. SP-OT01 to align with the requirements under R.A.No. 10121; and**
- b. **Thoroughly disseminate the updated DRRMP and SOP No. SP-OT01 to all levels of organization and require them their respective DRRMP.**

16.7 The Management commented that NFA is currently working out on the continuity plan which is more specific and detailed. Management further commented that they have an operation center which is operational before and after the calamity except earthquake. Nonetheless, as soon as there is an earthquake, we monitor if there are cracks, even in the central office. We are there to monitor and plan for the transfer.

Gender and Development (GAD)

17. **The CY 2018 GAD Plan and Budget (GPB) of NFA amounting P457,509 million was not approved/endorsed by the Philippine Commission on Women (PCW), as required under Section 8.6 of Joint Circular (JC) No. 2012-01 issued by the PCW- National Economic and Development Authority (NEDA)- Department of Budget and Management (DBM), due to non-submission to PCW of the revised version of the GPB; thus, there was no assurance that the programs, activities and projects (PAPs) indicated therein were aligned with the gender issues under the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025. In the absence of CY 2018 GPB duly endorsed by PCW, it could not be assessed whether the activities conducted were supportive or responsive to the gender issues of the Agency and its clients.**

17.1 Section 1 of EO No. 273 dated September 8, 1995, on the adoption of PPGD 1995-2025, referred to in the EO as Plan, directed all government agencies, department, bureaus, offices and instrumentalities to: (a) take appropriate steps to ensure the full implementation of the policies/strategies and programs/projects outlined in the Plan; and

(b) institutionalize GAD efforts in government by incorporating GAD concerns as spelled out in the plan in their planning, programming, and budgeting processes.

17.2 Section 30 of the General Appropriation Act (GAA) of FY 2018 requires all agencies of the government to formulate a GAD Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under R.A. No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025) and the Philippine Development Plan (2017-2022).

17.3 PCW-NEDA-DBM JC No.2012-01 prescribes the guidelines and procedure for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GPBs and GAD Accomplishment Report (AR), relevant provisions are as follows:

“3.5 Agency GAD Focal Point System (GFPS) xxx shall coordinate the preparation of the agency GPB and the GAD Accomplishment Report (AR), monitor its implementation and report on its results. xxx.

7.0 Schedule to be observed in GAD Planning and Budgeting:

i. September (2 years before budget year) – PCW issues notification letters to all line departments or central offices for the submission of their annual GPB and GAD ARs to PCW. *(Note: GPB for the following year must be accompanied by the GAD AR of the preceding year)*

PCW approves and endorses all revised GPBs and returns them to the concerned offices for submission to DBM xxx.

8.6 PCW shall endorse agency GPBs only xxx if they are reviewed by the mother or central office;

10.1 Xxx The agency GFPS shall prepare the annual GAD AR based on the PCW-endorsed GPB xxx following the form prescribed in Annex B.”

17.4 Likewise, PCW Memorandum Circular (MC) No. 2016-05, on the Preparation and Online Submission of FY 2018 GPB and FY 2016 GAD AR and Other Matters, provides that the submission, review and endorsement of GPBs and GAD ARs shall be coursed through the Gender Mainstreaming Monitoring System (GMMS), the PCW online system for managing GAD profiles, GPBs and GAD ARs, as well as for generating GAD-related reports.

17.5 On the other hand, Part V of COA Circular No. 2014-001 dated March 18, 2014 provides that the Audited Agency shall submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five working days from the receipt of the approved plan from the PCW, or their mother or central offices, as the case may be. Likewise, a copy of the corresponding AR shall be furnished the said Audit Team within five working days from the end of January of the preceding year.

17.6 Records showed that the copy of NFA's GPB for CY 2018 was submitted to the PCW on January 31, 2017 but returned to NFA for revision. However, the revised GPB was not properly endorsed due to miscommunication between NFA and PCW. As of this date, NFA was not able to submit to the Audit Team a PCW approved Annual GPB for CY 2018. NFA's CY 2018 GPB consisting of approved and attributed amounted to P457.509 million.

17.7 A copy of GAD AR submitted to PCW thru GMMS on February 28, 2019 was submitted to this Office on March 1, 2019. It was observed that the copy of the AR is not yet signed. Allegedly, NFA was given a chance to submit its GAD AR up to March 31, 2019, however, the approved GAD AR for signature has not been submitted to this Office as of this date.

17.8 Despite the non-endorsement by the PCW of its CY 2018 GPB, NFA carried out some of the GAD PAPs of which out of 13 GAD Activities, eight were completed while five were partially completed because not all field offices conducted the GAD activities. Also, NFA incurred a total expenditures of P104.322 million consisting of the approved budget and attributed amount.

17.9 On the other hand, the total utilized budget and attribution for Central Office as well as the ROs which amounted to P1.012 million and P93.660 million respectively, for a total recorded amount of P94,672 million. The aforementioned total utilized budget and attribution differs from the P104.322 million actual expenditures reported by the NFA to the PCW by P9.650 million.

17.10 Due to the absence of CY 2018 GPB duly endorsed by PCW there is no assurance that gender issues were fully addressed during the year while intended GAD beneficiaries were deprived of the opportunity to avail of the benefits expected therefrom.

17.11 Likewise, a total of P57,620 travel expense was charged to GAD expenses when the reason for travel was to conduct special audit on the rice distribution activities of NFA Region IV.

17.12 We recommended that Management :

a. Direct the GAD focal person to :

a.1 Prepare the Annual GPB and submit together with the GAD AR to PCW for endorsement within the deadlines set; and

a.2 Submit to the Audit Team copy of the duly endorsed GPB within five working days from receipts thereof and GAD AR within five working days from the end of January of the following year.

b. Ensure the full implementation of programs/activities included in the GPB for the year;

c. Closely coordinate with NFA field offices on the implementation of GAD programs/activities to ensure full implementation of the GPB; and

- d. **Require the NFA GAD Focal Point to coordinate with the ASD on the preparation of the GAD AR to ensure that the actual amount of the expenses incurred will be correctly presented therein.**

COMPLIANCE WITH TAX LAWS

18. Management properly withheld the required Percentage/Final, Expanded Withholding and Value Added Taxes from the purchase of goods and services and taxes on compensation income from salaries of officials and employees and promptly remitted these amounts to the BIR in CY 2018, thereby helping the National Government to collect funds needed for its operations. The total taxes withheld amounting to P370.036 million were remitted within the period prescribed by the BIR regulations.(Note 34.1.b)

19. COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) LAW, REPUBLIC ACT (RA) NO. 8291

The Agency had substantially complied with Section 14.1 of the IRR of RA No. 8291, which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. The summary of remittances of employees' premium contributions and employer's premium contributions for CY 2018 is shown below:

	Withheld	Remitted
Life and retirement premiums, employees share	125,119,927	122,292,257
Government share	–	164,116,603
	125,119,927	286,408,860

C. PERFORMANCE

Utilization of National Government Subsidy

20. **The National Government Subsidy to NFA in the amount of P7.00 billion for CY 2018 was used for the payment of maturing loans, thus, the intended purpose of the funds to implement the Food Security Program of the Agency might not had been fully realized.**

20.1 The National Government under the GAA, Fiscal Year (FY) 2018 also known as R.A. No. 10964 allocated the amount of P7.0 billion to NFA for the implementation of the Food Security Program of the Agency through buffer stocking.

20.2 Special Provision of the GAA for FY 2018 provides that :

*“The amount of Seven Billion Pesos (P7,000,000,000.00) appropriated herein shall be used for Buffer Stocking Program of the NFA. The NFA **shall buy directly from farmers**, except in case of calamities, fortuitous events, or shortfall in production, where the NFA is authorized to import rice and corn upon the recommendation of the NFA Council and approval*

by the President of the Philippines. The pricing scheme for imported rice and corn shall, as far as practicable, consider the full recovery cost."

20.3 In addition, the Performance Outcome Indicator of the GAA for FY 2018 also provides the following target for the implementation of Buffer Stocking Program to ensure Food Security for rice and corn:

Buffer Stocking program	Baseline	2018 Targets
Outcome Indicator		
1. Rate of compliance to the Strategic Rice Reserve at National level.	15 days	100%
Output Indicators		
1. Volume of domestic palay procured (metric tons)	118,496	388,889
2. Percentage of total stored stocks maintained in good and consumable conditions	98%	90%

20.4 Audit disclosed that NFA Subsidy Income from National Government for CY 2018 in the amount of P7.000 billion was used for the payment of maturing loans.

20.5 The following are the NFA's accomplishment which might had been affected by prioritizing payment of maturing loans:

Strategic Objectives	Target	Actual Accomplishment	% of Accomplishment	Shortfall
Buffer Stocking				
Maintenance of 15-day Strategic Rice Reserve (SRR)	15 days SRR	0.1 day	-	(14.90 days)
and 30-day Government Rice Buffer Stock (GRBS)	30 days BRBS	3 days	-	(27.00 days)
Support to Farmers	*388,889 MT	61,784 MT	15.89%	(327,105)
Palay procurement to farmer's organization and individual.				
NFA Rice Distribution	833,571 MT	590,379 MT	71%	(243,192)

*Target palay procurement based on Output Indicator per GAA FY 2018

20.6 Management averred that the low procurement rate is attributed to NFA's low buying price at P17/kilo as compared with ex-farm price of P20.38/kilo from January to September, 2018, thus affecting the rice distribution and buffer stocking program of the agency. (NFA Annual Accomplishment Report 2018)

20.7 Despite that NFA posted a 9.18 percent market share of the country's overall consumption of rice in CY 2018, it was not able to attain its mandate in ensuring Strategic Rice Reserve resulting in the unavailability of supply of affordable NFA rice in the market during the first and second quarters of the year and the increase in prices of commercial rice at an average of P3.34/kg and P2.63/kg for the Regular Milled Rice and 4.26/kg and P4.04/kg for the Well Milled Rice for the whole sale level and retail level, respectively, as shown below:

Quality of Rice	2017	2018	Increase in kilogram
Wholesale			
Regular Milled Rice	34.62	38.88	4.26
Well Milled Rice	38.82	42.16	3.34
Retail			
Regular Milled Rice	37.49	41.53	4.04
Well Milled Rice	42.55	45.18	2.63

20.8 In view of the NFA's inability to attain its target for the palay procurement, Management resorted to rice importations which could also affect the country's dollar reserves and incurrence of additional financial expenses due to inflation of peso to dollar exchange rate and payment of documentary stamp tax as it was the agency's practice to enter into Short Term Loan agreement with the Land Bank of the Philippines (LBP) and DBP to settle payment to suppliers.

20.9 The amounts of financial expenses incurred by the agency due to accumulated loans pertaining to rice importations which significantly affected its financial operation are shown below:

Particulars	2017	2018	Increase/(Decrease)
Financial expenses	P5,962,357,592.29	P6,366,230,096.30	P403,872,504.01

20.10 It was observed that in view of the effort of NFA to pay its maturing obligations using the subsidy income from the national government, the implementation of Food Security Program might not had been fully realized, which could had resulted in insufficiency of supply of affordable rice in the market and low inventory of rice in NFA warehouses to the detriment of 10 million consumers who depended on the supply of NFA rice.

20.11 We recommended that Management ensure that the Subsidy Income from the National Government be utilized and disbursed in accordance with its intended purpose.

20.12 Management commented that they decided to use part of the subsidy as the fund requirements of field office for palay procurement is minimal due to high palay ex-farm prices, thus it is more prudent to pay NFA outstanding short term loans in order to save on interest and documentary stamp tax expenses totaling P24.453 million instead of borrowing through credit lines. Management also informed the audit team that all remittances for CY 2019 from the Department of Budget and Management intended for palay procurement are deposited in one fund account named Cereal Procurement fund to closely monitor receipt and use of the funds.

Investments

21. Investment in LBP-Trust account in the amount of P106.450 million was transferred in a LBP savings account although it was only utilized after six months, depriving the agency of the potential income in the amount of P1.064 million. In addition, investment in DBP-Trust earned a lesser return by 0.19 per cent than the investment in LBP-Trust causing loss of potential income contrary to the sound principle of investing.

21.1 Review of the LBP-Trust account disclosed that Investment in the amount of P106.450 million was transferred to a LBP-current account. Careful scrutiny of transactions for the said current account revealed that the aforementioned amount was left unutilized until May 10, 2019 or 161 days, upon payment of the first progress billing to the contractor for the construction of NFA Office Building. Had the said amount not been prematurely terminated before the maturity date, it could have potentially earned P1.064 million using the existing LBP-Trust account rate of 2.23 per cent, as shown in Table 25.

**Table 25 – Computation of Potential Income on
prematurely Divested amount in LBP-Trust**

Particulars	Amount
Divested Amount last 11/30/2018	P 106,450,000
LBP-Trust prevailing interest rate (%)	2.23
Duration (11/30/2018-5/10/2019)	161 days
Potential Interest Income/Return	P 1,063,668

21.2 We recommended in our prior year's audit that Management evaluate its investment in LBP-Trust and DBP-Trust and prefer investment/s that will provide most benefit to the agency. These two aforementioned Investments in Trust Account were appropriated to fund the construction of the CO Building. Current year's analysis of the return of the two investment in trust accounts showed that Investment in LBP-Trust and DBP-Trust had a return of P4.990 million and P6.111 million or 2.23 per cent and 2.04 per cent, respectively, as presented in Table 26 below. Further, DBP-Trust yielded a lesser return by 0.19 per cent than LBP-Trust.

**Table 26- Analysis of Return of Investments in
LBP-Trust and DBP-Trust**

Interest Earned	LBP-Trust (197-01-10)	Percentage (%)	DBP-Trust (197-01-05)	Percentage (%)
1/31/2018	P 610,036	0.20%	P 601,454	0.20%
2/28/2018	142,031	0.05%	221,522	0.07%
3/31/2018	380,840	0.17%	486,045	0.16%
4/30/2018	349,794	0.15%	382,335	0.13%
5/31/2018	584,960	0.26%	572,220	0.19%
6/30/2018	441,553	0.19%	199,184	0.07%
7/31/2018	466,387	0.20%	752,241	0.25%
8/31/2018	473,099	0.21%	575,753	0.19%
9/30/2018	224,609	0.10%	470,933	0.16%
10/31/2018	494,725	0.22%	485,966	0.16%
11/31/2018	471,050	0.21%	617,724	0.21%
12/31/2018	350,738	0.29%	745,352	0.25%
Total	P 4,989,822	2.23%	P 6,110,729	2.04%

21.3 Based on the detailed comparison presented in Table 27, NFA could have earned a better return on its Investment in DBP-Trust had it been pooled with the Investment in LBP-Trust and negotiated for better interest rates and terms of investment.

Table 27- Detailed Comparison of Investments in LBP-Trust and DBP-Trust

Particulars	LBP-Trust (197-01-10)	DBP-Trust (197-01-05)	Difference
Initial Investment (6/20/2016 and 6/21/2016)	P300,000,000	P300,000,000	P –
Interest Income/Return - 2017	5,303,565	5,949,108	645,543
Divestment – 2/13/2018	71,000,000	–	71,000,000
Divestment – 11/30/2018	106,450,000	–	106,450,000
Interest Earned (2018)	P 4,989,822	P 6,110,729	1,120,907
Percentage (%) of Return	2.23%	2.04%	0.19%
Investment Balance (as of 12/31/2018)	312,059,837	132,843,387	179,216,450

21.4 The selection of investment that will not provide the most favorable result deprives the Agency with the potential income that it should have earned.

21.5 A good fund management decision will greatly determine the success or failure of an organization. In addition, loss of potential income is a lost benefit and/or opportunity for a program, project or other activities that the agency and/or the government may subsequently benefit. Proper timing coupled with the proper selection of investment that will provide for the most beneficial result or outcome to the agency, otherwise, it will deprive the agency with such potential income earned/realized.

21.6 We recommended that Management require the Budget Treasury and Financial Management Department (BTFMD) to:

a. Practice sound fund management to minimize loss of potential income;

21.7 We reiterated our prior year's audit recommendation that Management require the ASD to evaluate the investments in LBP-Trust and DBP-Trust and prefer investment/s that will provide the most benefit to the agency;

21.8 Management commented that the transfer of P106.450 million from the LBP-Trust Account was not done imprudently. It is on the premise of ensuring availability of funds to pay the claims of the contractor and consultant as stated in their projected accomplishment. Onwards, we shall synchronize the availability of funds vis-à-vis payment of the progress billings of the contractor and consultant so that the potential income will still be realized. Despite withdrawal of a previous amount from LBP, it still registered a higher return on assets than DBP as of September 30, 2018.

Moreover, COA's findings that NFA could have earned a better return had it invested at LBP-Trust instead in DBP-Trust is just the opposite of last year's audit findings where COA suggested that LBP Trust account be transferred to DBP because LBP's performance was lower than DBP.

21.9 As a rejoinder, the audit team has not suggested/recommended that NFA invest in DBP and/or LBP rather the Audit Team provided the following audit recommendation in CY 2017 to wit:

"Evaluate the Investments in LBP-Trust and DBP-Trust and prefer investment/s that will provide the most benefit to the Agency."

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

22. Table 28 summarizes the audit suspensions, disallowances and charges in CY 2018. The details and status of the unsettled suspensions, disallowances and charges as of December 31, 2018 are presented in Annex B, Part IV of this Report.

Table 28 – Audit Suspensions, Disallowances and Charges

	Beginning Balance	Issuance	Settlement	Ending Balance
Suspensions	P20,625,559	P10,613,132	P18,629,583	P12,609,108
Disallowances	179,389,893	20,199,584	3,286,117	196,303,360
Charges	2,717,922	-	948,220	1,769,702
	P202,733,374	P30,812,716	P22,863,920	P210,682,170

22.1 Below are the details of the disallowances:

Notice of Disallowance	Amount
With Corporate Government Sector (CG)S Decision	49,902,320
With Notice of Finality of Decision (NFD)	11,219,160
With COA Order of Execution (COE)	686,537
With Appeal/Unsettled	134,495,343
	196,303,360

22.2 The total disallowances of P196.303 million include disallowances with NFD and COE in the amount of P11.219 million and P0.686 million, respectively, aggregating to P11.905 million. Moreover, the total balance of P11.905 million represents payment for Food and Grocery Incentive (FGI), travel allowance, Collective Negotiation Agreement Incentive and salary increments in the amounts of P11.553 million P0.032 million, P0.312 million, and P0.008 million, respectively.

22.3 However, of the P11.553 million FGI disallowances, only the amount of P9.065 million was recorded in NFA books as of December 31, 2018, thereby giving an unrecorded balance of P2.488 million.

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 313 audit recommendations embodied in the prior years' Annual Audit Reports (AARs), 52 were fully implemented while 17 were no longer doable, hence, deleted from this Status. Notices of Disallowance for four recommendations were issued, thus, deleted from this Status and included in Annex B (Details and Status of Unsettled Disallowances). Sixteen (16) recommendations in Calendar Year (CY) 2017 which were reiterations of CY 2016 recommendations were also excluded from this Status. Lastly, 168 recommendations were partially implemented; 21 were not implemented; and 35 were revised and reformulated to be more specific, doable and measurable as follows:

Observations and Recommendations	Actions Taken/Comments
<u>CY 2017 AAR</u>	
<p>1. NFA was unable to comply with the requirements as set forth in COA Circular No. 2017-004 dated December 13, 2017 and Philippine Public Sector Accounting Standard (PPSAS) 33 on First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) despite its representation that the Financial Statements (FSs) for Calendar Year (CY) 2017 have been prepared in accordance and comply with PPSASs, thereby defeating the objective of presenting high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis IPSASs.</p>	
<p>We recommended that Management henceforth, ensure full implementation of COA Circular No. 2017-004 dated December 13, 2017 and the adoption of PPSASs in CY 2018 financial statements.</p>	<p>Partially Implemented</p> <p>Management partially complied with the requirements as set forth in COA circular No 2017-004 dated December 13, 2017 and the Adoption of PPSASs 33 in the 2018 financial reports. However, there were still items, such as notes disclosure requirements and effect of transition, that were not properly or fully disclosed or complied.</p>
<p>2. The reliability of the year-end balances of the Cash In Bank (CIB) – Local Currency and Foreign Currency accounts totaling P1.230 billion included in the Cash and Cash</p>	

Observations and Recommendations	Actions Taken/Comments
<p>Equivalents account of P1.242 billion could not be ascertained due to, among others: (a) non-submission for audit purposes of the documents to substantiate the fund transfers made by NFA-HO to NFA ROs and Operating Units (OUs) in the total amount of P4.303 billion for the General Operating Fund (GOF) and Cereal Procurement Fund (CPF); and (b) lack of supporting documents to monthly fund transfers of collections from sale of imported rice totaling P1.716 billion made through automatic and electronic sweeping. In addition, CIB account was maintained with unauthorized depository bank, contrary to Section 5.2 of Department of Finance (DOF) - Department Circular (DC) No. 001-2015 dated June 1, 2015.</p>	
<p>We recommended that Management:</p>	
<p>a. Require the Accountants to support the Journal Entry Vouchers (JEVs) with documents showing from whose retailers' accounts the transfers of funds to the NFA-CO accounts were made and that the transfers were reconciled with the monthly collections of particular retailers;</p>	<p>Partially Implemented</p> <p>Reconciliation and verification are on- going.</p>
<p>b. Cause the transfer of bank balances maintained in unauthorized depository bank to Authorized Government Depository Banks (AGDBs) pursuant to DOF-DC No. 001-2015 dated June 1, 2015.</p>	<p>Partially Implemented</p> <p>Some accounts are deposited with non-government depository banks since these are the only banks available at their areas.</p> <p>NFA HO maintains accounts at PNB QC-NFA branch consisting of Current Account for payroll of Central Office employees which is still in the process of evaluating the transfer to authorized government bank; and Savings Accounts which cannot be transferred to other authorized banks inasmuch as the accounts were subjected to garnishment and with ongoing legal cases.</p>

Observations and Recommendations	Actions Taken/Comments
<p>3. The balance of the Inventory Held for Sale - Merchandise Inventory (MI) account as at December 31, 2016 was not restated to recognize the customs duties (CDs) for CY 2016 of P1.451 billion and prior years of P24.329 billion or a total of P25.780 billion as required in PPSASs 1 and 3; thus, the comparative balances of the account as at December 31, 2017 and 2016 of P3.162 billion and P13.155 billion, respectively, are not correctly presented in the Statement of Financial Position. In addition, the adjustments to recognize the CDs for prior years aggregating P25.780 billion were effected only in the consolidated financial statements as at year-end, but not in the separate books of the Field Offices (FOs); thus, the affected accounts in their individual financial statements as of December 31, 2017 remained unadjusted. Moreover, the CDs amounting to P1,827.202 million recognized as component of the cost of imported rice received in CY 2017 were based on 35 per cent of the contract price that included cost of delivery at place instead of the tax subsidy approved by the Fiscal Incentives Review Board-Department of Finance (FIRB-DOF) of P1,782.089 million or a variance of P45.113 million, thereby resulting in the overstatement of the Inventory Held for Sale – MI account by the same amount.</p>	<p>NFA has obtained Supreme Court decision on the garnished account and sought the assistance of the Office of the Government Corporate Counsel to secure corresponding order from the court to lift the order of garnishment.</p>
<p>We reiterated our previous year's recommendation that Management require the HO-ASD to strictly comply with PPSAS 1, on the proper presentation of Inventory Held for Sale - MI account in the financial statements to ensure comparability with the financial statements of previous periods and PPSAS 3, in presenting correction of prior period errors by restating the comparative amounts for the</p>	<p>Partially Implemented. This was already coordinated with NFA-HO. Cavite Provincial Office is still waiting for the advice of NFA</p>

Observations and Recommendations	Actions Taken/Comments
<p>period(s) presented in which errors occurred and, provide adequate disclosure in the Notes to Financial Statements.</p>	<p>Partially Implemented</p> <p>Customs duties were imputed only to the importations contracted in CY 2016. There were partial adjustments on MI and other affected accounts.</p>
<p>We also recommended that Management require the HO-ASD to cause the adjustment of the overstatement of CDs and Inventory Held for Sale - MI account for imported rice received in CY 2017;</p>	
<p>4. Recognition of the Tax Expenditure Subsidy (TES) for CY 2017 in the absence of a Special Allotment Release Order (SARO) from the Department of Budget and Management (DBM) was not in accordance with DOF-DBM Joint Circular No. 1 dated April 30, 2014 and PPSAS 23, on Revenue from Non-Exchange Transaction, thereby resulting in the overstatement of Subsidy Income from National Government and Inter-agency Receivables - Due from National Government Agencies accounts in the amount of P1.782 billion and affecting the fair presentation of the said accounts in the financial statements as at December 31, 2017.</p>	
<p>We recommended that Management instruct the NFA HO-ASD to make the necessary amendment of the pro-forma accounting entries in NFA SOP No. FS-FA14 dated December 6, 2016, on the Implementing Guidelines on the Accounting, Recognition of Customs Duties as Tax Subsidy on Rice Importation.</p>	<p>Partially Implemented</p> <p>NCR Management has coordinated with Grains Marketing Operations Department and Accounting Services Department through NCR-ORM-RF-F-43 on the specific provisions of the SOP and the appropriate accounting entries to be used.</p>
<p>5. The accuracy, completeness, and existence of the PPE account with net book value of P2.151 billion as at December 31, 2017 could not be ascertained due to, among others: (a) unreconciled variance aggregating P356.344 million between the book balances and the established inventory count/schedule of PPE for HO and 10 POs; (b) discrepancy between the balance of Electronic New Government Accounting System (e-NGAS) and balance in the Financial Statement amounting to P1.931 million due to the transfer to another</p>	

Observations and Recommendations	Actions Taken/Comments
<p>account without preparation of corresponding entry in the books; and (c) undocumented parcels of land in seven POs.</p>	
<p>We recommended that Management require the HO-ASD, Property Division and ROs/POs to:</p>	
<p>a. Conduct thorough verification and reconciliation of the accounting and property records, including the PPE “For Reconciliation” account, to determine the cause/s of discrepancies so that necessary corrections/adjustments can be effected in both records to arrive at correct/reconciled balances;</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 3 of this Report.</p>
<p>b. Prepare necessary adjusting entry to properly reflect the correct balance of Construction in Progress account indicated in the books and in the FS;</p>	<p>-do-</p>
<p>c. Expedite the titling of the parcels of land to establish NFA’s full ownership over these properties, to provide basis for recording in the books of accounts and to avoid possible loss;</p>	<p>-do-</p>
<p>d. Prepare necessary adjusting entries for the PPE sub-accounts that have negative balances; and</p>	<p>-do-</p>
<p>e. Cause the conduct of complete physical count of PPE, preparation of the RPCPPE, and reconciliation of the said Report with the Property and Accounting records.</p>	<p>-do-</p>
<p>6. Investments aggregating P1.113 billion were without supporting documents, no longer existing in the books of the investees, and with discrepancy over the confirmed balances of the investees, thereby affecting the reliability of the year-end balance of Non-current Other Investments account totaling P1.128 billion. Moreover, NFA could have earned a better return on its Investment in Land Bank of the Philippines – Trust account (LBP-Trust) of P305.304 million had it been pooled with the Investment in Development Bank of the Philippines – Trust accounts (DBP-Trust) of</p>	

Observations and Recommendations	Actions Taken/Comments
<p>P305.949 million as of December 31, 2017 and negotiated for better interest rates and terms of investment.</p>	
<p>We reiterated our prior year's audit recommendation that for Investments in PLDT, Inc.; Kutowato Country Club; Capitol City Sports and Country Club; DBP-Trust; LBP-Trust and NFA-EA, Management require the HO-ASD to exert utmost efforts to retrieve/obtain documents to support the balance presented in the books and to reconcile with the investees the difference between the books and confirmed balances.</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 4 of this Report.</p>
<p>We also recommended that Management:</p>	
<p>a. Evaluate the Investments in LBP-Trust and DBP-Trust and prefer investment/s that will provide the most benefit to the Agency;</p>	<p>Partially Implemented</p> <p>The Management was not able to thoroughly evaluate its investment in LBP-Trust and DBP-Trust as it invested in DBP-Trust, the investment that provide a lower return for CY 2018.</p>
<p>b. Come up with sound policy and guidelines on investment of funds including the selection of investee as well as the amount to be invested; and</p>	<p>Partially Implemented</p> <p>Although the Management has assessed the cost and benefit in the selection of an appropriate investment, it has not yet establish a concrete policy or guidelines that will be followed in its subsequent investment.</p>
<p>c. Require the HO –ASD to coordinate with FTI for the reconciliation of the Investment account balance, particularly on the P101.520 million subscription receivable reflected in their books, and vigorously coordinate with the Department of Agriculture (DA) for the return of NFA's Investment in GEMCOR.</p>	<p>Partially Implemented.</p> <p>Management was able to coordinate and/or communicate with FTI and GEMCOR, respectively, regarding its investment. However, no reconciliation has yet been made as of to date.</p>

Observations and Recommendations	Actions Taken/Comments
<p>7. The existing Inventory Accounting System for supplies and materials and semi-expendable property as provided under NFA SOP No. GS-PD16 dated April 1, 1999 was not strictly implemented in view of various deficiencies, among others: (a) unreliable/inaccurate records; (b) poor maintenance of Stock Cards; (c) incomplete/non-conduct of physical inventory by some ROs/POs; and (d) non-compliance with the use of the prescribed Report on the Physical Count of Inventories (RPCI) form; thus, the existence and correctness of the balances of Inventory Held for Consumption and Semi-expendables Machinery and Equipment accounts of P342.138 million and P17.651 million, respectively, or totaling P359.789 million could not be ascertained. Moreover, there is a disparity amounting to P4.198 million in the NFA - HO Inventories Held for Consumption and Semi-expendable Machinery and Equipment accounts between the reported year-end balance in the books of P18.062 million and actual physical inventory of P13.864 million that could not be verified due to the afore-mentioned deficiencies.</p> <p>We reiterated our prior year's audit recommendations that Management:</p> <p>a. Require all Property/Supply Officers of the GSD and concerned FOs to use and maintain SCs, conduct a semi-annual inventory count using the prescribed RPCI, and reconcile the inventory report with accounting and property records; and</p> <p>b. Instruct the ASD to properly maintain the SLCs to ensure better control and monitoring of the inventories as well as check and balance.</p> <p>We further recommended that Management:</p> <p>a. Manage and/or maintain necessary volume of supplies and materials inventory for stock and issue by applying the average consumption based on the historical data of the Agency;</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 5 of this Report.</p> <p>-do-</p> <p>Partially Implemented.</p> <p>It has been noted that some supplies and materials are sometimes out of stock.</p>

Observations and Recommendations	Actions Taken/Comments
<p>b. Properly communicate the process adopted by NFA-HO to the FOs with regard to the requisition and issue of Inventory Held for Consumption and Semi-Expendable Machinery and Equipment, to have a holistic approach for the entire Agency</p>	<p>Partially Implemented</p> <p>Management informed that the process adopted by NFA-HO had been communicated to FOs.</p>
<p>c. Minimize/avoid the use of the PCF in the procurement of supplies and materials and semi-expendable properties, except for immediate use or emergency cases; and</p>	<p>Partially Implemented</p> <p>There has been repeated usage of the petty cash fund for procurement purposes.</p>
<p>d. Regularly course through the inventory account the purchases and issues of supplies and materials and semi-expendable properties, making use of the asset method of inventory instead of the expense method.</p>	<p>Partially Implemented.</p> <p>Monitoring is on-going if NFA uses the asset method of inventory in the purchases and issues of supplies and materials and semi-expendable properties instead of the expense method.</p>
<p>8. The existence of dormant/non-moving accounts for 20 to 32 years totaling P600.619 million and absence of necessary supporting documents rendered the Financial Liabilities-Payables-Loans Payable-Domestic account year-end balance of P82.122 billion unreliable. Further, recorded payments for the foreign loans amounting to P722.974 million for principal and P323.174 million for interest cannot be validated due to non-issuance of official receipts by the Creditor.</p> <p>We reiterated our prior years' audit recommendations that Management require the HO-ASD to:</p>	<p>Partially Implemented</p> <p>The Management is still in the process of retrieval of documents to support the recorded outstanding loans payable. In addition, no adjusting journal entries were made relative to the outstanding payables.</p>
<p>a. Exert all efforts to secure the supporting documents to facilitate the review of the long outstanding loans payable, and prepare the necessary adjusting entries; and</p>	<p>Partially Implemented</p> <p>The Management is still in the process of retrieval of documents to support the recorded outstanding loans payable. In addition, no adjusting journal entries were made relative to the outstanding payables.</p>

Observations and Recommendations	Actions Taken/Comments
b. Obtain copies of documents from the creditor evidencing payments on the loans and the corresponding interests.	<p>Partially Implemented</p> <p>The Management has only provided an email communication but no Official Receipt was provided to support the payment made to Agrarian Credit Loan and Ministry of Agriculture & Food.</p>
We further recommended that top Management make necessary measures and arrangements for the settlement of the long outstanding loans accounts.	<p>Partially Implemented</p> <p>The management has already communicated with the Department of Finance for the planned absorption of its outstanding Loans Payable by the National Government. However, no Resolution or Order has yet been made on the said restructuring plan.</p>
<p>9. The reliability of Financial Liabilities-Inter-agency Payables-Due to National Treasury account amounting to P39.301 billion as at December 31, 2017 is doubtful due to the existence of dormant/long outstanding accounts and abnormal/negative balance of P54.983 million and P1.616 million, respectively, and absence of necessary supporting documents. Moreover, outstanding guarantee fees of P8.212 billion and interest on advances amounting to P2.290 billion or 79.16 per cent of the total Payables-Interest Payable of P2.893 billion included amounts which remained unsettled for over one year to over three years and onwards, thereby depriving the National Government (NG) of the use of the funds to supplement its other priority goals, programs and projects.</p>	
We reiterated our previous year's recommendations that Management:	
a. Require the ASD to fast track the retrieval of the supporting documents in order to undertake an in-depth analysis, verification and full extent of validation of dormant accounts, including the account with negative balance, so that necessary adjusting entries can be made; and	<p>Partially Implemented.</p> <p>Management was able to retrieve the supporting documents/ agreements to support the balances under the USPL 480 IFR account in the amount</p>

Observations and Recommendations	Actions Taken/Comments
<p>b. Management follow-up the status of its request for the possible transfer of NFA's obligation to NG; if not granted, settle outstanding advances, including the interest and guarantee fees; and if unable to settle due to limited funds, request negotiation on possible payment plan with the Corporate Account Group-Department of Finance.</p>	<p>of P46.223 million and shall subsequently recommend the remittance of said balance to the BTr.</p> <p>For USPL 480 Title I, China Rice I and Australian Rice, Management retrieved the Schedule of Receipts and Expenses and is exerting efforts to locate the MOA and other supporting documents. For Countrywide Development Fund, the retrieved documents were subjected to verification and Management is still exerting effort to locate other supporting documents.</p> <p>Partially Implemented.</p> <p>On-going communication is still being conducted with the DOF on the possible absorption of its outstanding payable balance with the NG.</p>
<p>10. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables with significant balances as at December 31, 2017 amounting to P300.465 billion and P300.467 billion, respectively, which were not eliminated at year-end due to non-reconciliation of accounts were presented in the financial statements for CY 2017 bloating the total assets from P30.984 billion in CY 2016 to P323.440 billion in CY 2017 or an increase of P292.456 billion or 943.89 per cent and total liabilities from P172.225 billion in CY 2016 to P470.210 billion in CY 2017 or an increase of P297.985 billion or 173.02 per cent, thereby providing misleading information to the users of the financial statements.</p>	

Observations and Recommendations	Actions Taken/Comments
We reiterated our prior years' recommendations that Management:	
a. Require the concerned Accountants to prioritize the reconciliation of Intra-agency accounts in order to have reliable balances and strictly monitor compliance with NFA SOP No. FS-GP13, with emphasis on the regular preparation of schedule of inter-branch transactions and Monthly Reconciliation Statement to identify variances, if any, within the reporting period and immediately coordinate with other offices to resolve the differences and prepare the necessary adjustments; and	Revised and reformulated under Part II – Observations and Recommendations No. 7 of this Report.
b. Ensure that policies and guidelines on inter-branch transactions are strictly observed, especially the sanctions provided in NFA SOP No. FS-GP13 as deterrent to the accumulation of variances.	-do-
We further recommended that Management consider the:	
a. Applicability of COA Circular No. 2016-005 dated December 19, 2016 on the guidelines and procedures on the write-off of dormant accounts; and	-do-
b. Conduct of a nation-wide reconciliation of the Intra-agency Receivables and Intra-Agency Payables accounts by all the Accountants of HO, ROs and POs/OUTs in order to confirm and verify the existence and balances of the accounts.	-do-
11. The lack of determination of NFA Management to undertake the necessary legal actions on the shortages of Stock Accountable Officers (SAOs) aggregating P184.198 million, recorded under Receivables-Other Receivables-Due from Officers and Employees account, as required in NFA existing policies and guidelines had hampered the immediate recovery or settlement of the receivables, thereby, depriving the Agency of additional funds to finance its operation.	

Observations and Recommendations	Actions Taken/Comments
We reiterated our previous years' recommendations that Management:	
a. Revisit the existing warehousing policies and procedures (SOPs) to identify the causes of the incurrance of shortages and strengthen the measures that will prevent and/or address the same;	<p>Partially Implemented.</p> <p>Management conducted seminars to warehouse supervisors on proper handling of their accountability and to give updates on relevant SOPs.</p>
b. Set up the Agency level monitoring and evaluation of the implementation of the NFA SOPs and guidelines on the settlement of shortages particularly on the issuance of demand letters to SAOs with established shortages within the prescribed period, filing of the appropriate administrative, criminal and civil cases, and collection of shortages;	<p>Partially Implemented.</p> <p>The LAD was able to conduct the following:</p> <ol style="list-style-type: none"> 1. Filed 72 cases 2. Offered for compromise agreement 134 cases by SAO's; and 3. Approved 42 cases on compromise agreement by management
c. Prioritize the liquidation of accountabilities of SAOs who are still in active service, especially those who are nearing retirement, and leverage on the role of Senior Accounts Specialist/Accountant, to regularly deduct from all benefits and other resources accruing the SAO for the payment of shortages, in order to ensure NFAs welfare over the interest of SAOs; and	<p>Partially Implemented.</p> <p>The Management was able to liquidate accountabilities as evidenced by the large decrease in the SAO's Due from Officers and Employees – Stock Shortages account.</p>
d. Persistently follow up the early resolution of the cases of concerned accountable officers to effect immediate collection of their shortages.	<p>Partially implemented</p> <p>NCR has been enforcing legal remedies on the collection of final shortages of the stock accountable officers (SAOs). Administrative and criminal cases were filed against some of them.</p>
We further recommended that Management:	
a. Initiate/File a Petition for a Writ of Preliminary Attachment against the properties of the concerned SAOs to secure the satisfaction of any judgment;	<p>Partially Implemented.</p> <p>For NFA Western Pangasinan PO,</p>

Observations and Recommendations	Actions Taken/Comments
b. Closely monitor all pending administrative and criminal cases filed against erring SAOs so that information can be readily gathered and appropriate actions can be instituted, if warranted; and	<p>the shortages of the accountable officers are for action by NFA CO. No writ of preliminary attachment was filed against the properties of the accountable officers who incurred shortage.</p> <p>Partially Implemented.</p> <p>The SDO Management sent letter requesting updates on the status of cases filed in August 2018 to the Legal Affairs Department (LAD) regarding the cases filed in August 2018 against SAOs who are already separated from the service. With regard to the SAOs still connected to NFA, they already signed the compromise agreement in January 2018 for the settlement of their shortages.</p>
c. Revisit and/or modify NFA SOP to consider the delegation of authority to a lower level Management regarding the evaluation and approval of compromise agreement proposal of the SAOs on the payment of their final stock shortages, to facilitate the process and hasten settlement.	<p>Partially Implemented</p> <p>Management's existing SOP is undergoing revision.</p>
<p>12. Liberal implementation by Management of NFA's policies and procedures had caused Stock shortages recorded under Other Non-Current Assets-Other Assets in the total amount of P2.008 billion to remain uncollected for more than five years, as the determination of final shortages and enforcement of collection/settlement thereof could not be pursued due to missing/incomplete documents, slow-paced stock examination and computation of Tolerable Allowance (TOLA) and non-exhaustion of other remedies to collect from concerned SAOs.</p> <p>As this observation was already raised in our last year's audit, we reiterated our recommendations that Management:</p>	

Observations and Recommendations	Actions Taken/Comments
a. Require the Stock Examination Group to expedite the conduct of stock examination and adhere to the provisions of NFA SOP No. GM-WH13 on the use of secondary documents when warranted to facilitate the examination, and to immediately submit the Stock Examination Report (SER) to the RTAC for TOLA computation.	Partially Implemented. FO-RO has standing instructions to their provincial offices to facilitate the conduct of stocks/MTS liquidation for accountable officers.
b. Instruct the RTAC to speed up the TOLA computation to establish the final shortages of the SAOs/WSs so that settlement/collection of the amounts could be pursued and the balance of the accountabilities that could not be ascertained be minimized/reduced;	Partially Implemented. NFA FO/RO has outstanding instructions to their provincial offices to facilitate the conduct of stocks/MTS liquidation for accountable officers.
c. Revisit NFA SOP No. GM-WH13 where no timeline was set for the stock examination and TOLA computation and prescribe appropriate timeframe so that the final shortages could be established within a reasonable period and immediate collection of shortages could be facilitated; and	Partially Implemented. Management's existing SOP is undergoing revision.
d. Enforce the sanctions provided in the Special Provisions of NFA SOP No. GM-WH13 which states that "Violation of the provisions of this SOP shall subject the offender to penalties provided for under applicable and reasonable NFA and Civil Service rules," to oblige the persons responsible to strictly implement the NFA SOPs on stock examination and TOLA computation.	Partially Implemented. The LAD was able to conduct the following: 1. Filed 72 cases 2. Offered for compromise agreement 134 cases by SAO's; and 3. Approved 42 cases on compromise agreement by management
We further recommended that Management:	
a. Exhaust all available remedies, such as filing of civil or small value claims, to collect the shortages of SAOs separated from service;	Partially Implemented. NCR has been enforcing legal remedies on the collection of final shortages of the stock accountable officers (SAOs). Administrative and criminal cases were filed against some of them.

Observations and Recommendations	Actions Taken/Comments
b. Require the Stock Examination Group to exert all efforts to locate missing documents to establish final shortages of SAOs; and	Partially Implemented.
c. Assign a regular/permanent employee in the Stock Examination Group to fast track the stock examination and preparation of SER.	Partially Implemented.
<p>13. The validity/propriety of the P249.565 million payments made for the 11,891.28 Metric Tons (MT) rice importation under the contract executed by NFA with one of the suppliers in August 2017 could not be fully determined due to the absence of Journal Entry Vouchers (JEVs) and documents supporting said payments. Moreover, there is a discrepancy of P0.778 million between NFA's computation of P3.281 million and Audit Team's computation of P4.059 million of penalty for late delivery of the 12,301.23 MT rice importation amounting to P262.542 million.</p> <p>We recommended that Management:</p>	
a. Require the HO-ASD to strictly adhere to the provisions of COA Circular No. 2009-006 on the submission of documents for the payments of imported rice to COA and to ensure that all JEVS are supported with adequate/proper documentation;	<p>Partially Implemented.</p> <p>JEV Nos. 0000-18-04-001267 and 000-18-04-001268 dated April 3, 2018 were submitted to the Audit Team on June 7, 2018.</p> <p>Management submitted only copies of JEV pertaining to the payment of rice importation supported with the documents required in the Terms of Reference, but without approved disbursement voucher. Management averred that the Trust Receipt Agreement duly signed and approved by the NFA's authorized representative served as the approval of payment, which is the practice at NFA to facilitate/immediate payment to supplier.</p>

Observations and Recommendations	Actions Taken/Comments
b. Impose the correct penalties against the suppliers of imported rice on late deliveries in accordance with the provisions stipulated in the Contract and GAFTA 122.	Partially Implemented Some of the penalties imposed to suppliers in the previous years were collected in CY 2018. NFA collected a total amount of P18.224 million from VINAFOOD 1 and Capital Cereals Co. Ltd., per JEV Nos. - 2018-04-005491 and JEV -2018-02-001729 in the amount of P17.749 million and P474,534, respectively.
<p>14. NFA did not impose the liquidated damages of P1.445 million and terminate the contract with the Consultant for the Design, Development, and Establishment of Electronic Integrated Financial and Operations Management Information System (e-IFOMIS) Project in the amount of P14.448 million, despite the gross delay of 1,645 days as of December 31, 2017 or approximately four and a half years from June 30, 2013, the latest time extension granted for the Project's completion. Moreover, the reported 96.21 percentage of completion as of December 31, 2016 could not be supported with documents, casting substantial doubt on the actual accomplishment of the Project and the validity of its implementation. Furthermore, the non-movement of the percentage of completion of the Project since CY 2016 and the lack of specific commitment date to complete the same demonstrate NFA's inability to compel the Consultant to abide with the terms and provisions of the contract, thereby depriving the Agency the use of a reliable and exhaustive financial management information system.</p>	
We recommended that Management:	
a. Enforce all available remedies stipulated in the contract, such as but not limited to claim for liquidated damages, termination of contract and other appropriate legal remedies;	Not Implemented.
b. Require the CPMSD-ISDD to support with appropriate documents the reported 96.21 per cent project accomplishment as of December	Not Implemented.

Observations and Recommendations	Actions Taken/Comments
31, 2017 to prove the accuracy thereof; and	
<p>c. Henceforth, rigorously monitor the implementation of contracts entered into by the Agency to ensure that the terms and stipulations of the contracts are strictly enforced to avoid wastage of public funds, and to ensure completion of the project within the agreed period.</p>	Partially Implemented.
<p>15. The procurement of infrastructure project for the Construction of the NFA Central Office Building with contract cost of P460 million was not compliant with the provisions of the 2016 Revised Implementing Rules and Regulation (IRR) of RA No. 9184 and Government Policy Procurement Board (GPPB) Manual of Procedures for the Procurement of Infrastructure Projects in view of: (a) absence of Approved Budget for the Contract (ABC) and breakdown of estimates for each work item; (b) non-compliance with the Standard Philippine Bidding Documents 5th Edition; and (c) inadequate execution by the Bids and Awards Committee (BAC) and its Technical Working Group (TWG) of the validation procedures in the conduct of bid evaluation and post-qualification, resulting in the award of the contract to a non-compliant bidder and inability to obtain the most advantageous price and terms for NFA.</p>	
<p>We recommended that Management require the Internal Audit Services Department (IASD) to review the bid evaluation and post-qualification procedures being conducted by the NFA BAC to identify the lapses in the processes and determine the appropriate actions to address the same to avoid the award of contract to non-compliant bidders; and</p>	Not Implemented
<p>16. In NDO and EDO, the Warehouse Stock Issues (WSIs) were not properly accomplished according to the guidelines provided under NFA SOP No. GM-WH11 dated January 29, 2001, that could lead to unverified information and errors in computations of filler issuances and result in undetected fictitious</p>	

Observations and Recommendations	Actions Taken/Comments
<p>transactions or intentional errors to cover unscrupulous activities within the warehouses.</p>	
<p>We recommended that Management require the Managers of NDO and EDO to instruct the concerned WSs to:</p>	
<p>a. Submit to COA all original copies of the cancelled WSIs, for audit purposes;</p>	Not Implemented.
<p>b. Submit WSI No. 25045009 for audit purposes to the Audit Team of EDO.</p>	Partially Implemented.
<p>17. The propriety of the gasoline, oil and lubricants expenses amounting to P3.241 million for CY 2017 could not be determined due to non-submission of the Monthly Report of Official Travels supported with properly accomplished and duly approved Driver's Trip Tickets, Monthly Report of Fuel Consumption and Journal Entry Vouchers (JEVs) recording the gasoline, oil and lubricant expenses in the books, contrary to existing government rules and regulations. Moreover, gasoline, oil and lubricants expenses increased by P0.514 million in CY 2017, which did not conform to Administrative Order (AO) No. 103 which requires, among others, the reduction of at least 10 per cent in the consumption of fuel, water, office supplies, electricity and other utilities.</p>	
<p>We recommended that Management:</p>	
<p>a. Require the HO-General Services Department (GSD) to submit to the Office of the Auditor the Monthly Report of Official Travels supported with properly accomplished and duly approved Trip Tickets and Report of Fuel Consumption, for audit purposes;</p>	Partially Implemented
<p>b. Require the HO-Accounting Services Department (ASD) to submit to the Office of the Auditor signed/approved JEVs taking up gasoline, oil and lubricants expenses duly supported with relevant/proper documents for audit purposes; and</p>	<p>Partially Implemented</p> <p>Already printed the JEVs and submitted to the Office of the Auditor as required.</p>

Observations and Recommendations	Actions Taken/Comments
c. Ensure compliance with the austerity measures provided for in AO No. 103.	Partially Implemented Issued Memorandum to all employees reminding them to comply with economy measures stated in previous issued memorandum.
We further recommended that the Monthly Report of Fuel Consumption be submitted to the Office of the Auditor for evaluation and validation.	Partially Implemented.
18. Foreign travel expenses increased by P2.019 million or 200 per cent from last year's expenses mainly due to the increase in the number of participants to the foreign trainings/conferences, in view of the NFA's commitment to the World Trade Organization (WTO) and in preparation for its hosting the ASEAN Summit, which is not in conformity with the Department of Budget and Management (DBM) Budget Circular (BC) No. 2017-5 dated December 11, 2017, mandating the judicious and prudent use of government funds.	
We recommended that Management:	
a. Strictly observe DBM Budget Circular No. 2017-5 on the judicious and prudent use of government funds to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the Agency;	Partially implemented
b. Ensure compliance with the guidelines provided in Section 25 of GAM pertaining to foreign travel of government officials and employees; and	Partially implemented Three officials who are due to retire within a year were still sent abroad as foreign delegates.
We further recommended that the practice of sending more than one officer in foreign conferences and seminars be minimized, if not totally avoided.	Partially Implemented.
19. The warehousing policies and procedures on warehouse custody, piling system, storage structure and specification,	

Observations and Recommendations	Actions Taken/Comments
<p>and good warehouse-keeping were not strictly observed at NFA warehouses that could lead to environmental and health hazards and losses due to grain damage/deterioration and theft/pilferage of stocks.</p> <p>We recommended that Management instruct the concerned Provincial Managers to:</p>	
<p>a. Cause the repair of the damaged roofing, sides and flooring of the warehouses;</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 13 of this Report.</p>
<p>b. Require warehouse personnel to:</p>	
<p>b. 1 Strictly comply with the provisions of NFA SOP No. GM-WH07;</p>	<p>-do-</p>
<p>b.2 Attend training/re-orientation on warehousing policies and procedures at least every two years as provided in the SOP;</p>	<p>Partially Implemented.</p>
<p>b.3 Ensure cleanliness at all times the premises of the warehouse and remedy the cracks on the flooring by filling with asphalt, to prevent moisture from the ground and preserve the good condition of stored rice/palay; and</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 13 of this Report.</p>
<p>b.4 Install proper signage in order to prevent the occurrence of accident or casualty;</p>	<p>Partially Implemented.</p>
<p>c. Conduct regular monitoring of the compliance by the warehouse personnel of the provisions of NFA SOP No. GM-WH07;</p>	<p>Partially Implemented.</p>
<p>d. Address the: (i) deficiencies on safety screens/mesh wires, repair roofing and (ii) problems on the old warehouse doors, leaks on roof and cracks on posts, among others;</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 13 of this Report.</p>
<p>e. Install CCTVs, safety nets/screens on doors and watch towers/bridges at the NFA warehouses;</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 13 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
f. Cause the immediate disposal of all unserviceable MTS, pallets and machineries stored at the warehouses; and	Partially implemented Unserviceable MTS, pallets and machineries are being disposed
g. See to it that the Warehouse Supervisor be assigned to one warehouse only to enable him to fully discharge his duty and exercise the diligence of a good father of a family in the custody and maintenance of a warehouse.	Revised and reformulated under Part II – Observations and Recommendations No. 13 of this Report.
<p>20. The actual net kilograms (nkgs) of stock sold with filler transactions and the balances of stocks at any given month could not be accurately determined due to: (a) the unaccounted receipts of the excess kilograms from withdrawals of stocks weighing more than the required gross weight in North District Office (NDO); and (b) the discrepancies between the total number of bags issued as fillers in the Stock Reports and its total equivalent to nkgs based on the Warehouse Stock Issues (WSIs) in Cavite Provincial Office (CPO) and Central District Office (CDO).</p> <p>We recommended that Management require the Managers of NDO, CPO and CDO to:</p>	
a. Instruct warehouse personnel to strictly observe pertinent provisions of NFA SOP No. GM-DN10.A, on the issuance of fillers; and	Revised and reformulated under Part II – Observations and Recommendations No. 13 of this Report.
b. Adopt control measures such as installation of CCTVs to monitor warehouse activities and operations;	-do-
c. Ensure strict monitoring and accounting of the filler transactions of warehouses, i.e. from the recording of the fillers in the WSIs, preparation of the ESRs, WSIs for ESRs and Als to the recording of the transactions in the Stock Reports and in the books; and	Partially Implemented. Reconciliation is being done. Seminar was conducted on the proper reports to be prepared and on the monitoring of filler transactions.
d. Investigate discrepancies noted in the issuance of fillers between Stock Reports and WSIs, and impose appropriate sanctions against erring Warehouse personnel, if	Not Implemented. No report on the investigation was submitted.

Observations and Recommendations	Actions Taken/Comments
warranted.	
<p>21. Despite the absence of written policy, the shortages in filled bags or number of bags of stocks were subject to Tolerable Allowance (TOLA) computation in the liquidation of the accountabilities of the Stock Accountable Officers (SAOs) in CPO and in four POs in RO No. 1, thereby giving undue advantage to SAOs and resulted in unrecouped loss of assets on the part of the Agency.</p> <p>We recommended that Management require the Managers of concerned POs to:</p> <p>a. Discontinue the practice of granting TOLA on shortages in filled bags or number of bags of stocks in the absence of written policy; and</p> <p>b. Instruct the Senior Accounting Specialists (SAS) to record in the books of accounts the receivable from SAOs representing the money value of the shortages in bags of stocks using the replacement cost-intentional losses, if warranted.</p>	<p>Partially Implemented</p> <p>Cavite PO commented that in-depth analysis and reconciliation is being done by the Accounting Section during stock examination process.</p> <p>Partially Implemented</p>
<p>22. The NFA Disaster Preparedness Manual and SOP No. SP-OT01 devised/ formulated several years ago are no longer aligned to the goals and objectives of Republic Act (RA) No. 10121, otherwise known as the Philippine Disaster Risk Reduction and Management Act of 2010” that might affect/limit the ability of NFA to respond to disasters risks in consonance with the National Disaster Risk Reduction and Management Plan.</p> <p>We recommended that Management:</p> <p>a. Adopt a Disaster Risk Reduction and Management Framework and Plan in congruence with the National Disaster Risk Reduction and Management Framework and Plan in order for NFA to be equipped and be responsive in times of disaster or calamity;</p>	<p>Partially Implemented</p> <p>NFA-HO has not yet adopted a DRRM Framework and Plan.</p>

Observations and Recommendations	Actions Taken/Comments
b. Significantly update and/or revise NFA SOP No. SP-OT01 to be aligned with the adopted Disaster Risk Reduction and Management Plan;	Revised and reformulated under Part II – Observations and Recommendations No. 16 of this Report.
c. Thoroughly disseminate the Plan and the SOP to promote and encourage the involvement and participation of all sectors and stakeholders concerned, at all levels;	-do-
d. Require the concerned personnel of NFA to conscientiously prepare or craft the Agency Annual DRRM Plan and Budget in accordance with the provisions of RA No. 10121; and	Partially Implemented NFA has an on-going NFA PSCP that is in its finalization stage and will be submitted for approval of NFA management by June 4, 2019.
e. Henceforth, constantly update/revise the SOP and Manual on Disaster Risk Reduction and Management to be always in tune with the current situation and/or time.	Partially Implemented. NFA is conducting an ongoing revision of its existing SOP as well as an on-going NFA PSCP.
<p>23. The CY 2017 GAD Plan and Budget (GPB) of NFA amounting to P453.282 million was not approved/endorsed by the Philippine Commission on Women (PCW), as required under Section 8.6 of Joint Circular (JC) No. 2012-01 issued by the PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM), due to the submission to PCW of the revised version of the GPB beyond the prescribed deadline; thus, there was no assurance that the programs, activities and projects (PAPs) indicated therein were aligned with the gender issues under the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025. Despite the non-approval/endorsement of its CY 2017 GPB, NFA carried out some of the GAD PAPs costing P40.537 million. However, in the absence of CY 2017 GPB duly endorsed by PCW, there is no assurance that the activities conducted were supportive or responsive to the gender issues of the Agency and its clients.</p>	

Observations and Recommendations	Actions Taken/Comments
We recommended that Management:	
a. Strictly comply with EO No. 273, PCW-NEDA-DBM JC No. 2012-01, COA Circular No. 2014-01 and PCW Memorandum Circulars; and	Revised and reformulated under Part II – Observations and Recommendations No. 17 of this Report.
b. Direct the GAD focal person to:	
b.1 Prepare the Annual GPB and submit the same together with the GAD AR to PCW for approval/endorsement within the deadline set; and	-do-
b.2 Submit to the Audit Team copy of the approved/duly endorsed GPB within five working days from receipt thereof and GAD AR within five working days from the end of January of the following year.	-do-
<p>24. The National Government Subsidy to NFA for CY 2017 in the amount of P5.100 billion was used for the payment of maturing loans; thus, the intended purpose of the funds to implement the Food Security Program of the Agency might not be fully realized.</p>	
We recommended that the Management ensure that the government subsidy is used solely for its intended purpose, particularly on NFA's Food Security Program through procurement of palay and rice importation; and	Revised and reformulated under Part II – Observations and Recommendations No. 20 of this Report.
<p>25. The rice inventory levels in NFA-NCR and other ROs/POs in almost all months of CY 2017 were way below the mandatory buffer stock requirements of 15 days in each month and 30 days in June, ranging from as low as 0.12 day to as high as 29.99 days, due to low importation and non-competitive buying price of palay in CY 2017, causing rice supply shortages and higher prices of commercial rice in the market; thus, might have adversely affected the Agency's ability to achieve its mandate of providing stable supply and prices at all times and had compromised its capability to effectively and immediately respond in times of disaster and emergency situations.</p>	

Observations and Recommendations	Actions Taken/Comments
<p>We reiterated our previous year's audit recommendations that Management strengthen the monitoring of rice stocks level to ensure at all times the availability of the required buffer stock levels to attain Agency's mandate to respond to the rice requirements during calamities and achieve national food security through stabilized supply and price of rice.</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 29 of this Report.</p>
<p>26. In NFA-NCR, low distribution rate in CY 2016 of rice procured in CY 2015 and inefficient implementation of the First In First Out (FIFO) policy in the issuance of stocks from the warehouses resulted in the ageing of 325,436 bags of imported rice, which were sold in CY 2017 at adjusted price of P22.50 per kilo through Price Adjustment Mechanism (PAM), thereby incurring an opportunity loss of P40.679 million. Moreover, in NFA Ilocos Sur PO, sale of 20,240 bags of CY 2015 ageing imported rice amounting to P24.812 million to five grains businessmen through crisscrossing scheme was inappropriately/improperly carried out/executed as it was not approved by the NFA Administrator; thus exposing NFA's rice stocks to diversion, re-bagging or admixture of government stocks with commercial stocks, thereby defeating the Agency Rice Distribution Program's objective to ensure that prices of staple rice are reasonable and affordable to the consuming public</p>	
<p>We recommended that Management conduct an investigation to determine persons liable on the sale of 20,240 bags of CY 2015 ageing imported rice to five grains businessmen through crisscrossing scheme in Ilocos Sur PO without authority from NFA Administrator and impose appropriate sanctions, if warranted.</p>	<p>Partially Implemented.</p>
<p>27. The implementation of the programs, activities and projects (PAPs) of NFA was not directly aligned to the Sustainable Development Goals (SDGs) related to the mandate of the Agency such as: (a) SDG 1 - Zero poverty; (b) SDG 2 - No hunger; and (c) SDG 9 - Industry, innovation and infrastructure,</p>	

Observations and Recommendations	Actions Taken/Comments
<p>due to the Management's inability to mainstream its existing PAPs towards the attainment of the identified SDGs.</p>	
<p>We recommended that Management:</p>	
<p>a. Formulate policies and processes, put in place the relevant governance structures and identify resources towards the achievement of identified SDGs related to NFA's mandate;</p>	<p>Partially Implemented.</p> <p>For CY 2018, Management has established PAPs in relation to two identified SDGs.</p>
<p>b. Mainstream/align existing PAPs that will contribute to the achievement of the identified SDGs;</p>	<p>Partially Implemented.</p> <p>NFA PAPs are still deficient to address the focused SDGs of the Agency.</p>
<p>c. Conduct personnel awareness trainings, seminars, and symposium on the implementation of PAPs that will contribute to the achievement of SDGs; and</p>	<p>Partially Implemented.</p> <p>HRMD has already incorporated the SDGs in their GAD awareness program and added that they can expand the topic on SDGs related to NFA in order to promote further awareness of NFA employees.</p>
<p>d. Issue guidelines and procedures to respective ROs/DOs/POs involved in the implementation of the PAPs directly related to the attainment of SDGs.</p>	<p>Partially Implemented.</p> <p>SOPs and guidelines are disseminated to all NFA offices, routed to all employees and posted in bulletin boards for viewing of everybody.</p>
<p>28. Machineries, warehouse equipment, stock warehouses and parcels of land of four POs were idle and unutilized due to technical defects, lack of manpower training, absence of local procurement and expansion-development programs; thus, defeating the purpose of these assets, and resulting in the inefficient and ineffective utilization thereof.</p>	
<p>If found to be unnecessary due to obsolescence and/or the cost of repair or maintenance is excessive, recommend for the early disposition to avoid further deterioration</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
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and, possibly, to obtain economic value from the disposition.

2016 AAR

29. The balance of the Merchandise Inventory (MI) account as of December 31, 2015 was not restated to recognize the customs duties (CDs) for calendar year (CY) 2015 and prior years of P24.329 billion as required in Philippine Accounting Standards (PAS) 1 and 8; thus, the comparative balances of the account as of December 31, 2015 and 2016 of P15.886 billion and P13.155 billion, respectively, are not correctly presented in the Balance Sheet. In addition, the adjustments to recognize the CDs for prior years and those for CY 2016 amounting to P25.780 billion were effected only in the consolidated financial statements as at year-end, but not in the separate books of the Field Offices (FOs), thus the affected accounts in their individual financial statements as of December 31, 2016 remained unadjusted. Moreover, the non-recognition of handling and transportation costs amounting to P5.224 million and other deficiencies such as transcription error, omission, error in costing and non-recording of dispersal loss of P492,592; all these cast doubt on the fair presentation of the MI account in the financial statements.

We recommended that Management require the HO-ASD to:

a. Ensure that the MI account as of December 31, 2016 to be presented in the CY 2017 comparative financial statements be adjusted in the individual books of the FOs to reflect the CDs taken up in the consolidated financial statements as of December 31, 2016; and

Partially Implemented.

Regional and District Offices are still waiting for further advice from NFA-Central Office-ASD regarding the adjustments to be effected in imputing CD for receipts of importation for CYs 2014-2016.

b. Henceforth, strictly comply with PAS 1 on the proper presentation of MI account in the financial statements to ensure comparability with the financial statements of previous

Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>periods and PAS 8 on correction of material PYs errors.</p>	
<p>On the issue on inexistent inventory and abnormal quantities, we recommended that Management immediately conduct reconciliation of the Inventories and effect the necessary adjustments in the books to come up with the correct balance of the MI account.</p>	<p>Partially Implemented.</p> <p>There is on-going reconciliation at CPO and SDO between their Accounting and Property Sections' records to arrive at the correct balances.</p>
<p>We further recommended that, henceforth, Management ensure compliance with the pertinent accounting standards especially on the presentation of the financial statements.</p>	<p>Partially Implemented.</p>
<p>30. The validity, existence and collectability of the Accounts Receivable (AR)-Trade of P1.393 billion cannot be ascertained due to the dormant accounts, non-availability of supporting documents, and the absence of updated information on collections; thus affecting the faithful presentation of the account in the financial statements. Moreover, the amount of P540.651 million for the NFA's receivable from Department of Transportation (DOTr) from the sale of parcel of land, where the office and warehouses of SDO were formerly located, was erroneously taken up under the account instead of Due from National Government Agencies (NGAs); thereby overstating the account by the same amount.</p>	
<p>We reiterated our recommendations in previous years' audit that Management:</p>	
<p>a. Require the ASD to fast track the reconciliation of the receivables from NGAs, GOCCs and LGUs with the collections received at the NFA-HO. Accordingly, advise the ROs/POs on the results thereof for updating the recorded receivables in the respective regional and provincial books of accounts where receivables were recorded;</p>	<p>Partially Implemented.</p> <p>In Oriental Mindoro PO, NDCC account is being reconciled.</p> <p>Office Order for Task Force OPLAN Collection of NFA Receivables was issued to hasten collection of NFA's receivables from government agencies and other creditors giving focus on aging receivables.</p>

Observations and Recommendations	Actions Taken/Comments
<p>b. Continue to vigorously pursue the collection efforts through demand letters and collaboration meetings and strictly enforce the provisions of the MOAs with the NGAs and LGUs, particularly the payment terms;</p>	<p>Partially Implemented.</p> <p>Gathering of documents is on-going to support the request for write-off of accounts.</p> <p>District Office (DO) Finance Section coordinated with Marketing Operations to intensify its collection efforts to be able to arrive at a favorable payment scheme. With regard to the account of the Department of Social Welfare and Development (DSWD)-NROC amounting to P3.825 million, a follow-up letter dated January 10, 2017 was sent to DSWD-HO, but no reply has been received.</p>
<p>c. Conduct in-depth analysis and verification of the receivables and determine those deemed uncollectible after all the efforts have been exerted, for possible write-off in accordance with COA Circular No. 2016-005 and NFA SOP No. FS-FA13; and</p>	<p>Partially Implemented.</p> <p>Reconciliation is on-going. Communication is being made to concerned offices for validation of account balances. If warranted, a request for possible write-off of those accounts which can no longer be collected after exerting all efforts for the collection will be filed with the Commission on Audit (COA).</p>
<p>31. The validity, existence and collectability of the inter-agency receivables totaling P241.268 million cannot be ascertained due to various dormant accounts, insufficient documents and negative results of confirmation, thus, affecting the fairness of presentation of the balances in the financial statements.</p>	
<p>We reiterated our prior years' recommendations that Management:</p>	
<p>a. Require the ASD to fast track the analysis and reconciliation of the receivable accounts. For those reconciliation or recovery which are already remote or nil after all the efforts have</p>	<p>Partially Implemented.</p> <p>In NCR-SDO, Management immediately reconciles current</p>

Observations and Recommendations	Actions Taken/Comments
been exerted, request for write-off in accordance with COA Circular No. 2016-005;	transactions to prevent further accumulation of reconciling items. All efforts are continuously exerted to retrieve JEVs/advices of prior years' transactions for reconciliation.
b. Pursue an extensive collection policy for the accounts due to the NFA and intensify efforts to collect long outstanding accounts; and	Partially Implemented. The NCR Regional Finance consistently adheres to the guidelines of NFA SOP No. FS-GP13 in recording, reporting and monitoring inter-branch accounting transactions. It prepares the Monthly Schedule of Inter-Branch.
c. For the agencies which still have transactions with NFA, coordinate with their authorized official/s in order to finally collect these receivable accounts.	Partially Implemented.
32. Two investment accounts, namely, Gasifier and Equipment Manufacturing Corporation (GEMCOR) in the amount of P1.242 million and Capitol City Sports and Country Club (CCSCC) of P22,500, or a total of P1.265 million, were written off from the NFA's books without authority from the COA, contrary to COA Circular No. 97-001 dated February 5, 1997. In addition, investments aggregating to P1.217 million did not reconcile with confirmed balances as of December 31, 2016 or not supported with documents due to non-monitoring of the account; thus, affecting the reliability of the Investment account balance at year-end.	
We recommended that Management require the ASD to:	
a. Coordinate with DA for the return of NFA's investment in GEMCOR considering the sale of its assets; and	Revised and reformulated under Part II – Observations and Recommendations No. 4 of this Report.
b. For investments in Kutowato, DBP-Trust, MERALCO and NFA-EA, exert utmost efforts to retrieve/obtain documents to support the	-do-

Observations and Recommendations	Actions Taken/Comments
<p>balance presented in the books and to reconcile with the investees the difference between the book and confirmed balances.</p>	
<p>33. Stock shortages taken up in the books under Other Assets account amounted to P2.791 billion, most of which remained outstanding for more than five years, and cannot be reclassified to Due from Officers and Employees due to missing/incomplete warehouse/stock reports and the slow-paced stock examination and computation of TOLA, thus adversely affecting the determination of the final shortages of the concerned SAOs and enforcement of collection/settlement from them could not be pursued.</p>	
<p>We reiterated our recommendations that Management include stock examination, TOLA computation and collection targets in the Agency Annual Plans and Targets, particularly those SAOs who are deceased/separated or had resigned and with huge amounts of, long overdue and outstanding stocks accountabilities, as a means of not only gauging the efficiency of stock examinations and TOLA computation of concerned personnel but also on the collection of stock shortages from these SAOs.</p>	Partially Implemented.
<p>As to the amount reclassified from Due to Officers and Employees to the account Other Non-Current Assets-Other Receivables-Contingent Assets of P719.969 million, we recommended that the same be reverted back to the Due from Officers and Employees account.</p>	Partially Implemented.
<p>34. Uncollected overdue receivables amounting to P76.026 million from various companies, private individuals and former NFA officials/employees who died, resigned or retired from the service, remained dormant for five to 10 years and more due to lack of documentation and the failure of the concerned officials to undertake measures for the proper disposition of the dormant accounts pursuant to COA Circular No. 2016-005 and</p>	

Observations and Recommendations	Actions Taken/Comments
<p>NFA SOP No. FS-FA 13, thus rendering the accuracy and existence of the reported balances doubtful.</p>	
<p>We reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Institute all appropriate measures to document the receivables and continuously send demand letters to all concerned to enforce collection of the dormant receivable accounts; and</p>	<p>Partially Implemented.</p> <p>In NFA HO, retrieval of documents from ACA Records was done to support possible reconciliation.</p>
<p>b. For those with remote or nil recovery, require the Accountant to take appropriate action to have the accounts written-off pursuant to existing laws, rules and regulations.</p>	<p>Not Implemented.</p> <p>In NFA HO, no request for write-off has been submitted by Management.</p>
<p>35. The net book value (NBV) of the PE account of P2.140 billion remained not reliable due to: a) unreconciled variance of P65.920 million between the book balance and the inventory count in the HO and six FOs; b) net understatement of accumulated depreciation in HO by P142,194 resulting in overstatement of Retained Earnings; c) undocumented ownership of parcel of land valued at P29.005 million in three FOs; d) inclusion of negative/abnormal balances amounting to P1.485 million in NFA-NCR; and e) incomplete physical inventory reports/Report on the Physical Count of Property, Plant and Equipment (RPCPPE) in five FOs.</p>	
<p>We recommended that Management:</p>	
<p>a. Require the conduct of complete and thorough verification and reconciliation of the property and accounting records to determine the cause/s of discrepancies so that necessary corrections/adjustments can be effected in both records to arrive at the correct/reconciled balances;</p>	<p>Revised and reformulated under Part II – Observations and Recommendations No. 3 of this Report.</p>
<p>b. Prepare and effect the necessary adjusting entries for the PE that the Accumulated Depreciation was understated;</p>	<p>-do-</p>

Observations and Recommendations	Actions Taken/Comments
c. Fast track efforts to secure the documents needed for the transfer and registration of the land title in the name of NFA as basis for issuance of TCTs;	-do-
d. Follow up vigorously the actions taken by HO-LAD on the titling of the parcels of land to establish full ownership over the property and provide basis for recording the value in the books of accounts and to avoid incurrence of losses for the funds spent on improvements thereon; and	Partially Implemented
e. Strictly adhere to the rules and regulations on the submission of inventory reports, reconcile any discrepancy between the accounting records and inventory report, and take up adjustments accordingly.	Revised and reformulated under Part II – Observations and Recommendations No. 3 of this Report.
36. Lapses in accounting, monitoring and control of supplies and materials such as: a) the non-reconciliation of the balance per books and inventory reports; b) incomplete conduct of physical inventory; c) poor maintenance of Stock Cards (SCs) by Supply Officers; and other deficiencies, contrary to pertinent provisions of the MNGAS, Volumes I and II, and the non-alignment of NFA SOP No. GS-PD16 to MNGAS resulted in unreliable balance of P419.251 million Inventory for Consumption accounts at year-end.	
We reiterated our prior year's audit recommendations that Management re-visit the provisions of NFA SOP No. GS-PD16 to identify the provisions that need to be revised/amended and those lacking provisions in order to align these to the provisions in the MNGAS.	Partially Implemented. NFA issued Memorandum '18 GSD-PSMD-04-47, instructing all HO Departments to implement the use of the revised forms prescribed under the Government Accounting Manual (GAM). However, there are still no revisions/updates made to NFA SOP No. GS-PD16.
We also recommended that Management:	
a. Instruct the ASD to use the asset method in which purchases of office supplies are	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
recognized under Inventory account instead of as outright expense;	In RO No. IV-B - Mamburao PO, asset method for agricultural supplies was applied. For office supplies, the same will be implemented with regard to the recognition of Office Supplies Inventory.
b. Instruct the Accounting Office to prepare schedules of sub-accounts lodged to Other Supplies Inventory account as prescribed in Sections 111(1) and 114(2) of PD No. 1445. (Region I - Ilocos Sur and Abra POs); and	Partially Implemented. In NFA Ilocos Sur PO, inventory items issued had been reclassified to proper accounts.
c. Strictly adhere to NFA SOP in the accounting, safekeeping, monitoring and control, and issuance of accountable forms, specifically on the use of Invoice and Receipt of Accountable Forms (IRAF) in receiving and returning unused accountable forms. (Region V - Camarines Norte PO and Region XI - Davao del Sur PO)	Partially Implemented. In Davao del Sur PO, submission of the monthly report on accountability for accountable forms is being done.
37. The validity and accuracy of the balance of Accounts Payable amounting to P2.371 billion as of December 31, 2016 are doubtful due to existence of long outstanding accounts amounting to P130.015 million; dormant accounts amounting to P2.741 million, accounts with abnormal/negative balances amounting to P489,570, and other deficiencies noted in recording transactions.	Partially Implemented. NFA-NCR shall exhaust all available efforts to reconcile the accounts and recommend reversion of payables, if deemed applicable.
We, therefore, reiterated our prior year's recommendation that Management consider the applicability of the guidelines and procedures prescribed under DBM- COA Joint Circular No. 99-06 dated November 13, 1999 on the reversion of accounts payable.	Partially Implemented.
We also recommended that Management require the ASD to analyze, verify and validate the dormant and abnormal/negative accounts and prepare necessary adjusting entries; and	Partially Implemented. Dormant account still exists as at year-end.
38. The reliability and validity of the Loans Payable-Domestic and Foreign accounts as at December 31, 2016 amounting to P95.925 billion and P118.656 million, respectively,	

Observations and Recommendations	Actions Taken/Comments
<p>remained doubtful due to the existence of dormant accounts for more than six years of P600.619 million and absence of necessary supporting documents.</p>	
<p>We, therefore, reiterated our prior year's audit recommendations that Management require the ASD to:</p>	
<p>a. Exert extra effort to secure the supporting documents to facilitate the review of the long outstanding loans payable and prepare the necessary adjusting entries;</p>	<p>Partially Implemented.</p> <p>Management had furnished the Audit Team with copies of retrieved documents relative to Agrarian Credit Loan and Ministry of Agriculture and Food accounts. However, retrieval of other supporting documents is on-going.</p>
<p>b. Obtain copies of documents from the creditor evidencing payments on the loans and the corresponding interests.</p>	<p>Not Implemented.</p> <p>The letter of CCC was not supported with any documents.</p>
<p>39. Trust liability accounts totaling P268.057 million in the books of HO have remained dormant for the past 10 years, rendering the existence of the obligation of NFA in the total amount of P558.916 million as of December 31, 2016 doubtful.</p>	
<p>We reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Require the thorough verification of the nature or purposes of the projects, with long outstanding balances, and determine the status whether already completed, discontinued or abandoned;</p>	<p>Partially Implemented.</p> <p>Reconciliation on going</p>
<p>b. Fast track the reconciliation of the balances against relevant records, determine the actual existence and proper valuation of accounts, ascertain and validate discrepancies between the recorded amounts and the actual existing balances;</p>	<p>Partially Implemented.</p> <p>Reconciliation on going</p>

Observations and Recommendations	Actions Taken/Comments
c. Make the necessary adjustments in the books to determine actual balances and cause remittance to the concerned agencies; and	Partially Implemented. Reconciliation on going
d. Require the ASD and IASD to reconcile their records on Lingap Para sa Mahihirap Project Fund, effect the necessary adjustments which are adequately documented in order to reflect the correct balance, and submit fund utilization report indicating the summary of expenses and status of the report of accomplishments certified by the Accountant.	Partially Implemented. Management encountered difficulty in locating/retrieving necessary supporting documents.
We also recommended that Management in coordination with concerned SAs request for COA's authority to write-off dormant accounts in accordance with COA Circular No. 2016-005.	Not Implemented. No request for write-off has been submitted by NFA Management.
40. The documents supporting the Statements of Fund Balance/Annual Financial Status Reports for projects implemented by NFA-Food Development Center (FDC) were deficient and incomplete to support the liquidation of P11.213 million for the funds transferred of P14.928 million, contrary to Section 4(6) of PD No. 1445, Section 28 of MNGAS, Volume I and pertinent provisions of the MOA/Institutional Contractual Agreement (ICA) executed by the NFA with DA-BAR, LDC and UNU-Kirin; thus, the reliability of the financial reports and the validity of the projects and expenses incurred could not be fully ascertained.	
We recommended that Management:	
a. Require the NFA-FDC to support the Statement of Fund Balance/Annual Financial Reports for projects implemented with the Detailed Project Proposal; Work Plan Schedule; Budget Summary; Logical Framework; Project Summary and request for extension of the projects duly corrected and signed/approved by the authorized signatories of both parties to prove their validity and conformity with the stipulations provided in the	Partially Implemented. NFA furnished the Audit Team with copy of the letter from the Source Agency approving the extension of the project and utilization/realignment of funds.

Observations and Recommendations	Actions Taken/Comments
MOA;	
b. Closely monitor the implementation of the projects to ensure their completion within the required period considering that planning should have been undertaken before the project proposal is submitted for approval by authorized officers, and the required project liquidation and terminal reports are submitted within the prescribed period; and	Partially Implemented. Monitoring of the projects being implemented is on-going.
c. Exercise due diligence in the preparation and execution of the MOA to ensure that the project proposals, work plan schedules, budget summaries and other attachments to the MOA submitted are duly signed/approved and bear the letterhead of the NFA-FDC which is the requesting and implementing agency of the projects, and that the Document No., Revision No., Revision Date and Effectivity Date indicated in footnotes of the documents should pertain to NFA-FDC and contain information as agreed upon by the contracting parties.	Partially Implemented. Documents for the on-going projects still bear the logo of DA-BAR.
41. The balance of Deferred Credits account of P598.940 million as at December 31, 2016 is unreliable as this still includes dormant balances of P16.827 million in HO and several FOs with stocks that remained unwithdrawn for five years and more, and overages of Stock Accountable Officers (SAOs) of P178.328 million whose final accountabilities have not been established.	
We reiterated our prior year's recommendations that Management prioritize the in-depth analysis to clear the long outstanding balances in the Deferred Credits account and instruct the concerned HO departments/offices and ROs to include, among others, the following:	
a. Gather documents supporting the transactions pertaining to the advance payment of the legislator and on the conduct of stock examinations on SAOs with overages;	Partially Implemented. The required details were already submitted by Cavite PO.

Observations and Recommendations	Actions Taken/Comments
b. Identify from the Deferred Credits subsidiary ledgers the warehouse accountable officers and their overages incurred per physical inventory count per year and take note of those who retired or were separated from service; and	Partially Implemented. Management returned the amounts of P7.5 million intended for relief operation in Albay (5,000 bags) and P150,000 for unwithdrawn 100 bags in NFA Catanduanes.
c. Obtain information and guidance on the following:	
c.1 Appropriate disposition of the advance payment made by the legislators since the stocks apparently have already been long withdrawn;	Partially Implemented. In RO No. IV-B - Palawan PO, there were no documents to support the status of reconciliation and action taken like letters, WSI for claimed withdrawn stocks, etc.
c.2 Status of accountability of the warehouse accountable officers; and	Partially Implemented. At CDO, the Deferred Credits account of one of the accountable officers in the amount of P8.400 million was requested for write-off from COA.
c.3 Appropriate disposition of the long outstanding overages of retired/separated SAOs with or without final TOLA computation.	Partially Implemented. NDO had coordinated with RO as to the proper disposition of the accounts of retired/separated/deceased SAOs.
42. The five per cent Final Withholding Value-Added Tax of P90.109 million was withheld by the Department of Transportation (DOTr) from the 70 per cent of purchase price on the sale of NFA's parcel of land contrary to the provisions of the National Internal Revenue Code of 1997, as amended, thereby understating the amount collected from DOTr. In addition, the amount of P540.651 million or 30 per cent of the purchase price plus legal interests remained uncollected by NFA even with the DOTr's delay in the transfer of title to its name, which deprived NFA the use of the same in its operations. Moreover, the amount of P198.239 million tax withheld by DOTr was not considered in the recognition of gain on sale of assets, thus, the Gain on Sale of	

Observations and Recommendations	Actions Taken/Comments
Assets and Tax Expense accounts were understated by the same amount in the NFA NCR RO and HO books.	
We recommended that Management:	
a. Require the DOTr to pay NFA the amount of P90.109 million representing five per cent FWVAT deducted from the 70 per cent of purchase price, and P540.651 million for the remaining 30 per cent of purchase price plus legal interest; and	Partially Implemented
b. Direct the Finance Section to undertake the following:	
b.1 Effect the necessary adjustments to correct the amount of recorded gain on sale of assets and tax expenses incurred;	Partially Implemented. The Finance Section made adjustment on the revised Statement of Income and Expenses for CY 2016.
b.2 Coordinate with NCR RO and HO on the effect of changes in the Consolidated SIE due to the understated gain and tax expenses;	Partially Implemented. SDO coordinated with NCR RO and NFA HO to correct the amount of gain and tax expenses recorded in the books.
b.3 Henceforth, exercise due diligence in the use of account codes, recording of transactions and in the preparation of financial statements.	Partially Implemented Management will coordinate with the NCR RO and CO to effect the adjustments to correct the amount of gain and tax expenses recorded in the books.
43. The NFA officers and employees in HO and some POs in NCR, Regions IV-B and IX designated as authorized signatories in the issuance of checks, approval of Disbursement Vouchers (DVs) and Stock Accountable Officers (SAO) were not bonded, while the fidelity bond of Collecting and Disbursing Officers in Cavite PO and CDO, and SAO in Zamboanga del Norte PO were inadequate to cover their accountabilities for collections and disbursements; thus, exposing NFA of not	

Observations and Recommendations	Actions Taken/Comments
<p>being indemnified in case of loss due to improper or unauthorized use or misapplication of public funds and property and for all losses attributable to negligence in the keeping thereof.</p>	
<p>We recommended that Management:</p>	
<p>a. Conduct immediate review of the fund accountability of concerned accountable officers including those designated/authorized to sign and approve the DVs per NFA GMO No. AO-2015-05-003 dated May 29, 2015 and post the corresponding fidelity bond corresponding to their accountabilities; and</p>	<p>Partially Implemented.</p> <p>Management requested from the BTr for exemption in the posting of fidelity bond for signing/approving officers but was denied, hence fidelity bonds were posted for some signing/approving officers.</p>
<p>b. Henceforth, conduct regular review of fund and property accountabilities of accountable officers, including those officers who are authorized signatories and counter signatories in the issuance of checks and approval of DVs, to determine the appropriate amount of their fidelity bonds, in consonance with the requirements of Section 101 of PD 1445, and Sections 4.1 and 4.3 of the General Provisions of Treasury Circular No. 02-2009, on the bonding of officers and employees.</p>	<p>Not Implemented.</p> <p>Documents to prove that review and assessment of fund accountabilities of accountable officers was undertaken were not provided to the Audit Team.</p>
<p>44. The NFA-HO and ROs/POs officials and employees hired before July 1, 1989 were granted Group Hospitalization Insurance Program (GHIP), Group Accident Insurance Program (GAIP) and Executive Health Care Program (EHCP) in the total amount of P10.097 million, without authority from the Department of Budget and Management (DBM), Office of the President (OP) or legislative issuances. Moreover, the GAIP is considered a duplication of the insurance provided by the Government Service Insurance System (GSIS) under life insurance and other insurance coverage of government employees, which is prohibited in Commonwealth Act No. 186, as amended by Republic Act (RA) Nos. 4968 and 8291. Hence, the payments made for these allowances/benefits are considered irregular.</p>	

Observations and Recommendations	Actions Taken/Comments
<p>We recommended that Management refrain from granting allowances or benefits without the required authority, appropriate funding and already included in the insurance provided by the GSIS.</p>	<p>Not Implemented.</p> <p>Same insurance programs were still granted to the officials and employees in CY 2017.</p>
<p>45. The PE of CDO, NDO and SDO totalling P9.476 million were not covered by insurance with the GSIS during the year as required in RA No. 656, as amended by PD No. 245, thus, exposing the Agency to the risk of non-indemnification for the uninsured properties in case of damage or loss due to fire, earthquake, storm or other fortuitous event. In addition, the annual inventory report of physical assets, insurance and bonding of risks with the General Insurance Fund (GIF) as required under COA Circular No. 92-390 was not submitted to the COA Auditor for verification; thus, it could not be determined if all insurable properties/assets of CDO and NDO were adequately covered by insurance. Moreover, other properties of SDO costing P26.769 million were insured at amounts more than their costs that caused the NFA to incur unnecessary expense of P15.080 million.</p>	
<p>We recommended that Management:</p>	
<p>a. Insure all insurable PE/properties with the GSIS pursuant to Section 5 of RA No. 656, as amended by PD No. 245 dated July 13, 1973;</p>	<p>Partially Implemented</p> <p>According to CDO, the Property Inventory System used by the Supply Officer could determine which PPE will be insured. The system selected PPE costing P10,000 and above to be included in the insurable PPE.</p> <p>SDO will coordinate with NCR RO on different steps to be taken and adjustments to be made.</p>
<p>b. Discontinue the practice of using the Inventory Report of PE/properties as of July 31 of any given year as basis for insuring PE/properties the following year, instead utilize as basis the Inventory Report as of December</p>	<p>Partially Implemented.</p> <p>NCR Regional Supply Officer will require the NCR district/provincial</p>

Observations and Recommendations	Actions Taken/Comments
31 of any given year or the inventory nearest to the date/s of insurance/re-insurance of the PE/properties;	offices to submit the inventory of insurable properties as of October 31
c. Exert efforts to immediately transfer the registration of the motor vehicle in the name of CDO and insure the same with the GSIS; and	<p>Not Implemented.</p> <p>CDO has difficulty transferring the registration of the motor vehicle (VBH-597) under the name of the CDO because most of the requirements by the LTO can only be provided by the original owner who is already in Bicol and CDO has no means to contact him. Still CDO committed to exert efforts for the immediate transfer of the registration under NFA-CDO.</p>
d. Submit to the Audit Team an inventory report of physical assets (with details), insurance and bonding of risks with the GIF of the GSIS not later than October 31 every year pursuant to COA Circular No. 92-390 dated November 17, 1992.	<p>Partially Implemented.</p> <p>CDO has already submitted to COA its inventory report as of December 31, 2016.</p>
We further recommended that NDO and CDO submit a list of the uninsured PE amounting to P2.682 million which the Administrative Section claimed as PE with acquisition cost of less than P10,000 that were not included in the list of insurable PE, for verification of the Audit Team.	<p>Partially Implemented.</p> <p>Per CDO Management, the Property Inventory System (PIS) used by the supply officer determined which PPE will be insured. The system selected PPE P10,000 and above in amount to be included in the insurable PPE.</p> <p>Only inventory report as of December 31, 2016 was furnished to the Audit Team of NCR-CDO.</p>
46. The completion of the e-IFOMIS Project amounting to P14.448 million contracted by NFA with COMFAC Corporation on April 16, 2009 was considerably delayed by 1,280 days as of December 31, 2016 from the latest time extension up to June 30, 2013, with computed liquidated damages of P1.445 million. Thus, the NFA was deprived of the benefits to be derived therefrom. In addition, the three requests for time extension were	

Observations and Recommendations	Actions Taken/Comments
<p>granted even if most of the reasons/justifications could not be considered as caused by force majeure or fortuitous event, thereby unnecessarily prolonging the Project implementation period; while contract for time extension after June 30, 2013 could not be provided by NFA despite verbal and written requests which casts doubt on the validity of the continuous implementation thereof.</p>	
<p>We recommended that Management:</p>	
<p>a. Deduct the amount of liquidated damages due from the subsequent payments to be made to COMFAC;</p>	<p>Not Implemented.</p> <p>The Agency was unable to forfeit the performance bond since it already expired, but NFA entered into a new Memorandum of Agreement (MOA) with COMFAC for the continuation of the e-IFOMIS Project.</p>
<p>b. Submit to the Audit Team certified copies of the contract for time extension after June 30, 2013, and the documents supporting/showing the percentage of Project accomplishment as of June 30, 2013 and the 96.21 per cent accomplishment as of December 31, 2016; and</p>	<p>Partially Implemented.</p> <p>The Management contracted a Joint Deed of Undertaking (JDU) dated March 13, 2018, for a one year extension, but was already not binding since the original contract had already expired.</p>
<p>c. Henceforth, rigorously monitor the implementation of contracts entered into to ensure that contract stipulations are strictly performed/enforced to avoid wastage of public funds.</p>	<p>Partially Implemented.</p> <p>For monitoring and verification since the new MOA by the Agency with COMFAC was only entered in March 2018.</p>
<p>47. Accumulated cash shortage in the total amount of P2.061 million was established on the cash and accounts of the designated Collecting Officer of NFA Abra PO for undeposited collections; thus, resulting in the loss of government funds.</p>	
<p>We recommended that Management require the Provincial Manager of Abra PO to file appropriate charges against the defaulting</p>	<p>Partially Implemented.</p> <p>A compromise agreement has been</p>

Observations and Recommendations	Actions Taken/Comments
Accountable Officer (AO); and	<p>entered into between the Cashier III and NFA based on the Memorandum 2017 LAD-ID-K-006 dated November 3, 2017, which approved several modes of settlements, one of which is continuance of monthly deduction from salaries/benefits/emoluments of the AO.</p>
<p>We further recommended that HO Management constantly follow up the filing of appropriate charges against the erring accountable officer.</p>	<p>As of December 31, 2018, total withheld salaries and benefits amounted to P524,177.00. The 50% monetization availed amounting to P304,143.00 was used to partially settle the shortage.</p> <p>Partially Implemented.</p> <p>Management claimed that when Compromise Agreement had been executed, the administrative case is put on hold.</p>
<p>48. The rice inventory levels in NFA-NCR and other ROs/POs from January to December 2016 were not consistently maintained resulting in way above or below the mandated buffer stock requirements of 15 days in each month and 30 days in June resulting in excess stocks ranging from 421 to 1,513,305 bags that could expose a larger quantity of undistributed stocks stored longer than necessary to risk of deterioration/decline in quality and value. On the other hand, the inventory level below the mandated buffer stock could compromise the NFA's capability to effectively and immediately respond in times of disaster and emergency situations. Moreover, the rice inventory level of NCR which was way above the required level of buffer stocks in almost all months of CY 2016 resulted in loss of P360.368 million due to price reduction in auction.</p>	<p>Partially Implemented.</p> <p>There were intra and inter regional stock dispersals made based on NCR</p>

Observations and Recommendations	Actions Taken/Comments
<p>Offices with lesser inventories/allocation so that a wider consumer base could be served while further losses due to extended storage could be lessened, if not totally avoided.</p>	<p>Marketing Plan and GMOD authorization.</p>
<p>We also recommended to Management of NFA-NCR to: (a) cause the immediate sale or dispersal of the 549,292 bags of rice received in CY 2015 to avoid losses to NFA; (b) expedite the accreditation of more/new retailers pursuant to Fax Message No. AO-2K15-J-006 dated October 13, 2015 of the NFA Administrator to increase the existing number of NFA accredited rice retail outlets to at least 20 per cent; and (c) implement distribution strategies such as sale of rice at adjusted/reduced prices, following the Memoranda on the ages of stocks to be sold at adjusted/reduced prices.</p>	<p>Partially Implemented.</p> <p>In NCR-CDO, as of May 17, 2017, the 160,515 bags of rice received in CY 2015 were all issued to retailers/grains businessmen.</p> <p>In NCR-SDO, of the 375,848 bags of aged stocks received in CY 2015, Management transferred 195,800 bags to other regions, 60,391 bags were distributed, and 60,000 bags are scheduled for transfer to NCR-CDO.</p>
<p>We further recommended that measures be adopted to address problems causing excessive stocks such as: (a) carry-over stocks from previous year importation, (b) unprogrammed receipt of other provinces/districts' allocations due to problems of warehouse space availability, (c) influx of commercial rice in the market and presence of low price good quality rice resulting in low demand for NFA rice, and (d) those causing stock deficit levels such as low procurement operations, minimal rice receipts from other provinces, non-arrival of complete allocation of imported rice and non-availability of warehouses to be leased, among others.</p>	<p>Partially Implemented.</p> <p>The NCR-SDO Management will distribute the remaining aged stocks the soonest time to avoid further deterioration and additional expenses arising from prolonged storage. It strategized to distribute the stocks through volume sales at a regular price of P25 per kilo to licensed grains businessmen.</p>
<p>49. The First-in, First-out (FIFO) policy on the issuance of stocks from the warehouses required in NFA SOP No. GM-WH07 dated January 10, 1995 was not strictly enforced resulting in aging, deterioration and higher carrying/maintenance costs of the stocks on hand.</p>	<p>Partially Implemented.</p> <p>Management explained that the FIFO flow of stocks was applied in the</p>

Observations and Recommendations	Actions Taken/Comments
<p>opportunity loss to NFA, and require the POO to thoroughly review and evaluate the warehouses' Pile Layout, Grains Situationer Reports and other data as basis in the identification of specific pile for withdrawal of stocks prior to recommending approval to the Provincial Manager of the AI;</p>	<p>warehouses. However, flexibility on FIFO policy can be allowed due to some constraints.</p>
<p>50. Some provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification, and good warehouse-keeping were not strictly observed at NFA warehouses which could result in environmental and health hazards and losses due to grain damage/deterioration in quality and value as well as theft/pilferage of stocks.</p>	
<p>We recommended that Management:</p>	
<p>a. Address the deficiencies noted on warehouse custody, piling system, storage structure and specifications, and good warehouse-keeping and; henceforth, strictly comply with the provisions of NFA SOP No. GM-WH07;</p>	<p>Partially Implemented.</p> <p>At CPO, CCTV was installed at the office but not at the warehouses. Roofing of the General Trias Warehouse (GTW) 2 was repaired but mesh wires and screens in GTW 1 were not installed.</p>
<p>b. Ensure that the Agency engineering team be regularly fielded to conduct inspection of all facilities for early detection of defects on their physical conditions so that necessary action can be immediately undertaken;</p>	<p>Partially Implemented</p> <p>In Bukidnon PO, the Accountable Officer inspects roof holes, leakages or damages and immediately report in writing to the Provincial Office for the necessary repair.</p>
<p>c. Facilitate the immediate repair of the warehouse defects to prevent further warehouse deterioration and damage to the stocks, which could result in losses to NFA;</p>	<p>Partially Implemented.</p> <p>In NDO, Warehouse repairs are on-going. Problems like damaged warehouse roofing, leakages and cracks on the floors continue to exist – Reiterated in paragraph 24, Part V of this ML)</p>
<p>d. Ensure that the WS be assigned to one warehouse only to enable him to fully exercise</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
his duties and responsibilities with the diligence of a good father of a family; and	In Pagadian City PO, assignment of acting SGOO will be evaluated and implemented in consonance with NFA SOP.
e. Consider the utilization of advance technologies such as CCTVs in all NFA warehouses to monitor activities inside the warehouse and discourage unscrupulous activities.	Partially Implemented. In Albay PO, installation of CCTV is now included in the PPMP for CY 2018.
51. The actual net kilograms (nkgs) of stocks sold with filler transactions and the balances of stocks at any given month cannot be accurately determined due to: a) the emptied bags from issued filler stocks that were not documented by a separate Authority to Issue (AI) and Warehouse Stock Issue (WSI) required in NFA SOP No. GM-DN10.A in NDO and five POs; b) the discrepancy between the total number of bags issued as fillers in the Stock Reports and its total equivalent to net kilograms (nkgs) based on the WSIs in NDO, CDO and four POs; c) the unaccounted receipt of excess kgs from withdrawals of stocks in NDO and Eastern Pangasinan PO; and d) WSIs with erasures/alterations and incomplete information that resulted in erroneous stock reports.	
In view of the above observations, we recommended that Management evaluate existing control measures in warehouse operations and institute additional controls, including the review of the documentation of receipts of excess kgs from issuances of stocks weighing more than 50 kgs/bag.	Partially Implemented. A filler committee was created to conduct thorough analysis and verification of warehouse transactions and evaluate existing controls in the warehouse operations.
We also reiterated our recommendation in prior year's audit that Management:	
a. Require the strict monitoring and accounting of the filler transactions of warehouses starting from the recording of the fillers in the WSIs up to the recording of the transactions in the Stock Reports and in the accounting records/books.	Partially Implemented. Reconciliation is being done. Seminar was conducted on the proper reports to be prepared and on the monitoring of filler transactions.

Observations and Recommendations	Actions Taken/Comments
b. Ascertain the accuracy of the reported number of filler bags issued and account for the difference per stock report and its equivalent kgs per issued WSIs; and	Partially Implemented.
c. Initiate investigation to determine personnel responsible for possible fraudulent activities, particularly in the issuances of fillers, so that appropriate measures and sanctions are enforced on those found guilty of fraudulent acts.	Partially Implemented.
52. The reliability of recorded filler stocks in Ilocos Norte and Ilocos Sur POs of 34,901.87 nkg or equivalent to approximately 698.04 bags for all rice varieties could not be ascertained due to some admissions and allegations that filler stocks were not received or fully received by concerned retailers or buyers, thereby defeating the purpose and intent of the issuance of filler stocks.	
We recommended that Management conduct an investigation on the issues raised on filler transactions and file appropriate charges against erring personnel, if warranted.	Not Implemented.
53. Warehouse Stock Issue (WSI) receipts issued by several WSs of Eastern and Western Pangasinan POs were tampered, thus, showing a larger amount of fillers than what was actually issued to customers.	
We recommended that Management:	
a. Restudy the NFA policies on TOLA to discourage the practice of the SAOs of maximizing the benefit thereof as TOLA is not intended for unauthorized transactions;	Partially Implemented.
b. Direct the Regional Manager of Region I to:	
b.1 Conduct investigation on the falsification of WSIs regarding the issuance of stock fillers, and immediately relieve erring personnel while	Not Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>investigation is on-going to avoid influencing the investigating team and manipulation of record;</p>	
<p>b.2 Elevate to NFA higher authorities the evaluation of TOLA granted to SAOs for possible reduction to minimize the opportunity to unauthorized withdrawals of excessive fillers;</p>	<p>Not Implemented.</p>
<p>c. Require the Legal Affairs Department (LAD) to file appropriate administrative charges to erring WSs/SAOs and all other personnel involved in the commission of offense, if warranted. The above recommendations are without prejudice to the institution of proper complaint in a court having jurisdiction with the offense after a full investigation on the matter.</p>	<p>Not Implemented.</p>
<p>54. Marinduque PO shouldered all the losses on stock dispersal by sea amounting to P690,977 due to absence of provisions regarding tolerable limit on dispersal given to private-hauler contractors and truckers as provided in NFA SOP No. GM-DL03 dated January 1, 1991 and as amended by NFA SOP Amendment/Addendum No. GM-DL03.C dated May 31, 2000, hence, additional expenses on the part of NFA. On the other hand, in Batanes PU, there was over recognition of dispersal losses because the gain in weight of stocks during dispersal from NCR source warehouse to imaginary warehouse was not considered in recording the dispersal losses at Batanes destination warehouse as weight gain was not covered by specific accounting treatment in the NFA SOPs, resulting in the overstatement of operating expense by P72,633 and understatement of income by the same amount in CYs 2014-2016.</p>	
<p>We reiterated our previous year's recommendations that Batanes PU Management revisit the NFA SOPs on Dispersal Operations specifically on stock dispersal, and coordinate with the NCR RO for</p>	<p>Partially Implemented.</p> <p>NFA-BPU has already coordinated with NFA-NCR regarding the issue wherein NFA-NCR is currently</p>

Observations and Recommendations	Actions Taken/Comments
proper accounting treatment over recognition of dispersal/weight losses, as well as dispersal/weight gain without specific accounting recognition in the NFA SOPs.	conducting an evaluation/assessment of the dispersal operations for proper recognition of dispersal losses. .

55. The quantified losses of stocks due to theft on three instances at the NCR warehouses from CYs 2001 to 2013 were not deducted in the Stock Examination Reports (SERs) of SAOs due to the absence of specific guidelines, resulting in erroneous SERs and computation of TOLA. Also, the TOLA system's computation of factors affecting grains storage might no longer address the current conditions in the warehouses that could result in inappropriate computation of TOLA.

We recommended that Management revisit the existing policy on New Computerized Stock Examination and TOLA Computation, in particular, the appropriate treatment of losses due to theft in the SER and computation on factors affecting grains storage embedded in the TOLA system and identify the needed amendments in the policy to ensure the accurate computation of TOLA.

Partially Implemented.

NFA-NCR has elevated this matter to the Internal Audit Services Department-Central Office through NCR-ORM-RF-G-02 dated July 4, 2017

56. The non-compliance with the guidelines of the Institutionalized Farmers as Distributors (IFAD) Program, which included: a) the issuance of rice allocation to two delisted/dissolved cooperatives; b) 29 unregistered cooperatives with the Cooperative Development Authority (CDA) as of December 31, 2015; c) 122 cooperatives without Certificate of Good Standing issued by CDA, and d) acceptance of Special Power of Attorney (SPA) at the Farmers Organization's/Farmers Association's chosen withdrawal point of IFAD rice allocation, could deprive the intended beneficiaries of the opportunity to participate and avail of the benefits of the Program.

We recommended that Management:

- a. Determine the appropriate measures to

Observations and Recommendations	Actions Taken/Comments
address the following issues and concerns in the implementation of IFAD Program:	
a.1 Inadequacy of verification of LOIs and supporting documents conducted at the source POs;	<p>Partially Implemented.</p> <p>CDO commented that as general rule, FO/FA allocations shall be paid only in the province where the FO/FA is located. However, payment and withdrawal in other provinces may be allowed upon request of the concerned FOs/FAs and upon authorization of CO-GMOD.</p>
a.2 Allowing the use of SPA despite the prohibition in the CY 2015 IFAD Program guidelines;	<p>Partially Implemented.</p> <p>SPA was allowed in an amendment per Memo 2015 No. GMOD-MRSD-J-022 dated October 12, 2015. Amendment to the Implementing Guidelines on the 2015 IFAD on NFA Rice Program was approved by the then NFA Administrator.</p>
a.3 Change in withdrawal point and the cost-benefit to farmer beneficiaries in withdrawing the allocation from NCR instead of at respective provinces <i>vis-a-vis</i> transportation costs and optimization of income;	<p>Partially Implemented.</p> <p>Classification and processing of IFAD documents of FOs/FAs is the jurisdiction of NFA-GMOD. CDO is only given authority for the withdrawal of stocks with regards to the payment of IFAD allocations of concerned FOs/FAs.</p> <p>At CPO, coordination with NFA-CO GMOD and NFA-NCR RO has been made. The master list of IFAD beneficiaries was approved and authorized by NFA-CO</p>
a.4 Indications of fraud, such as, submission of spurious documents by unregistered/ non-operating cooperatives to avail the benefits of the NFA IFAD Program; and	<p>Partially Implemented.</p> <p>Classification of IFAD documents is the jurisdiction of NFA-GMOD.</p> <p>CDO is only given authority for the withdrawal of stocks with regards to the payment of IFAD allocations of</p>

Observations and Recommendations	Actions Taken/Comments
<p>a.5 The intended/legitimate FOr/FA-beneficiaries were being deprived of the benefits of the Program;</p>	<p>concerned FOs/FAs.</p> <p>Partially Implemented.</p>
<p>b. Conduct evaluation of the IFAD Program <i>vis-a-vis</i> the following:</p>	
<p>b.1 Effectiveness of existing controls in the implementation of the Program; and</p>	<p>Partially Implemented.</p> <p>The finding was referred to Central Office.</p>
<p>b.2 Duplication of benefits derived on other NFA Programs intended for the farmers/organizations, as inputs for the HO's program development strategy in further improving the economic and social well-being of the farmers;</p>	<p>Partially Implemented.</p> <p>The finding was referred to Central Office.</p>
<p>c. Investigate the non-compliance with the CY 2015 IFAD Program guidelines as cooperatives from different regions/provinces were allowed to participate despite deficiencies in supporting documents of their LOIs and IFAD participant-farmers' organizations/cooperatives from different regions/provinces were allowed to withdraw stocks by presenting SPA; and</p>	<p>Partially Implemented.</p> <p>Classification and processing of IFAD documents of FOs/FAs is the jurisdiction of NFA-GMOD. CDO is only given authority for the withdrawal of stocks with regards to the payment of IFAD allocations of concerned FOs/FAs.</p>
<p>d. Refrain from issuing IFAD allocations to FOrs/FAs not rated/classified as "Good Standing" by the CDA or not registered with the Authority or any regulatory agencies mentioned in NFA SOP No. GM-DN29 and; henceforth, ensure that FOrs/FAs are duly registered/in good standing status before issuing IFAD allocations.</p>	<p>Partially Implemented.</p> <p>Classification and processing of IFAD documents of FOs/FAs is the jurisdiction of NFA-GMOD. CDO is only given authority for the withdrawal of stocks with regards to the payment of IFAD allocations of concerned FOs/FAs.</p>
<p>57. Storage fees in the total amount of P323,375 were not collected by CDO, Misamis Occidental and Quezon POs contrary to Item No. 6 of NFA SOP GM-DN09.A, as amended, thus depriving the NFA of additional income.</p>	

Observations and Recommendations	Actions Taken/Comments
We recommended that Management of:	
a. CDO hold liable/institute appropriate sanction on responsible personnel for non-collection of P120,546 storage fees for IFAD stocks withdrawn after the deadline, and henceforth, strictly implement the withdrawal of stocks within the deadline set and/or the collection of storage fees for stocks withdrawn after such deadline; and	Partially Implemented. Due to the volume of IFAD stocks paid at CDO on June 30, 2016 which was the last day of payment, authorized representatives requested additional extensions for their withdrawals.
b. Misamis Occidental PO collect storage fees from the concerned buyers/retailers as required in Item 6 of NFA SOP No. GM-DN09.A, as amended.	Partially Implemented. The issue was already raised during several meetings, but the NFA was silent on the matter. The imposition of storage fees was deemed foregone since it was NFA which offered to sell the low quality rice just to dispose the rice inventory.
We further recommended that Management revisit the guidelines on setting the deadline for stock withdrawals and collection of storage fees and define the conditions where the collection of fees may be given consideration.	Not Implemented.
58. Only the amount of P58.138 million or 52.28 per cent of the P111.205 million funds received under the YRRP was obligated as of December 31, 2016; thus, adversely affecting the warehousing activities of the affected POs particularly the condition and quality of the stored stocks due to congestion. In addition, the repair/rehabilitation/ reconstruction projects amounting to P34.227 million were obligated after December 31, 2014 which is beyond the effectivity of the Special Allotment Release Order (SARO); thus the expenses incurred became irregular.	
We recommended that upon obtaining authority from proper authorities, Management prioritize the implementation of the remaining projects which were not started/completed as at year-end.	Partially Implemented. Remaining projects are not yet completed as at year end.

Observations and Recommendations	Actions Taken/Comments
<p>59. The difference in CDF balance between NFA's books of accounts and bank statement had increased by P4.145 million or 450.54 per cent, from P0.920 million as of December 31, 2015 to P5.065 million as of December 31, 2016, thus casting doubt on the reliability of the year-end balance of the Other Payables-CDF account of P161.154 million.</p>	Partially Implemented.
<p>We reiterated our prior year's audit recommendation that Management instruct the ASD to exert extra effort to reconcile the CDF's book balance with the balance per bank to come up with the correct balance.</p>	Reconciliation on-going.
<p>60. No complete set of separate books of accounts were maintained for CDF contrary to the provisions of NFA SOP No. TS-ES22 dated February 14, 2008, thus, detailed transactions involving sources and uses of funds balance cannot be easily determined/monitored.</p>	Partially Implemented.
<p>We reiterated our prior years' audit recommendation that Management require the CDF Committee Secretariat to strictly adhere to the provisions of NFA SOP No. TS-ES22 on the maintenance of a complete set of books for CDF in order to regularly monitor the receipts and utilization of the fund and to facilitate determination of its balance as at any given period.</p>	Complete set of books is not yet maintained.
<p>61. The NFA's GAD budget of P10.006 million for CY 2016 for the implementation of various programs/activities based on its GAD Plan and Budget (GPB) for the same year was equivalent to only 0.013 per cent of the total approved Corporate Operating Budget (COB) of P76.487 billion instead of the required minimum allocation of P3.824 billion or five per cent of the COB, contrary to the provisions of DBM/NEDA/PCW Joint Circular No. 2012-01. In addition, the GAD budget of P10.006 million was not fully utilized as only P7.506 million or 75.01 per cent was expended indicating that the planned programs/activities were not fully implemented, thus the benefits expected from</p>	

Observations and Recommendations	Actions Taken/Comments
such programs/activities were not served to the targeted beneficiaries.	
In view thereof, we reiterated our previous years' audit recommendations that Management:	
a. Allocate funds of at least five per cent of the annual total budget for GAD programs/activities, pursuant to DBM-NEDA-PCW Joint Circular No. 2012-01;	Partially Implemented. GAD budget is still below the 5% requirement.
b. Ensure the full implementation of programs/activities included in the GPB for the year;	Partially Implemented. Personnel were hired to concentrate on monitoring and implementation of the GAD programs. (AAPSI) page 76
c. Closely coordinate with NFA Field Offices on the implementation of GAD programs/activities to ensure full implementation of the GPB; and	Partially Implemented. Field Offices were provided with their respective budget for their own Programs, Projects and Activities.
d. Require the NFA GAD Focal Point to coordinate with the ASD on the preparation of the GAD AR to ensure that the actual amount of the expenses incurred will be correctly presented therein.	Partially Implemented.
We also recommended that Management require the NFA GAD Focal Point to ensure that accomplishments are clearly and fully presented in the GAD AR.	Partially Implemented.

CY 2015 AAR

62. Dividend due to the NG from the NFA's net earnings of P1.875 billion for CY 2014 has not been declared and remitted to the BTr, contrary to Section 3 of Republic Act (RA) No. 7656, resulting in the understatement of the liability and overstatement of Retained Earnings accounts and depriving the NG of funds for carrying out the programs, projects and other priority development goals of the government. Although the Agency could have been exempted from paying Dividends due to

Observations and Recommendations	Actions Taken/Comments
<p>negative Retained Earnings pursuant to Section 5-f of the Revised Implementing Rules and Regulations (RIRR) of same RA, its request for exemption was submitted late to the DOF.</p>	
<p>We recommended that Management follow-up the status of its request for the downgrading of dividend rate from 50 per cent to zero, and if not granted, remit to the BTr the approved dividend adjustment.</p>	<p>Not Implemented.</p> <p>Management did not remit the dividend to the BTr and did not provide the Audit Team with any document to prove that there were follow-ups made on the status of its request for the downgrading of dividend rate from 50 per cent to zero.</p>
<p>63. The payments for the Collective Negotiation Agreement (CNA) Incentive amounting to P31.643 million to officials and employees of HO, NCR and some ROs/POs and the NFA's share to the Provident Fund in the amount of P25.392 million in CY 2015, both charged to the savings in CY 2014, were not supported by existing valid CNA, contrary to Item 4.1 of DBM Budget Circular No. 2014-2. Thus, the propriety of the expenses could not be fully assessed.</p>	
<p>We recommended that Management:</p>	
<p>a. Cause the submission of CY 2014 existing and valid CNA to support the grant of CNA Incentive and remittance of NFA's share to the Provident Fund; and</p>	<p>Partially Implemented.</p> <p>CNA submitted was only signed on June 9, 2015.</p>
<p>b. Henceforth, strictly adhere to the existing rules and regulations on the grant of CNA Incentive.</p>	<p>Partially Implemented.</p> <p>Expired CNA for the period January 2009 to June 8, 2015</p>
<p>64. The non-recognition of corresponding tax subsidy to cover the amount of import duties for the March to October 2015 importations of rice amounting to P4.578 billion rendered the NFA's reported income unreliable.</p>	

Observations and Recommendations	Actions Taken/Comments
<p>We reiterated our prior year's audit recommendation that Management require the ASD to take up in the books of accounts the tax subsidy received from the NG corresponding to the customs duties for the importation of rice.</p>	<p>Partially Implemented.</p> <p>TES for CYs 2014-2016 were not recognized in the books. NCR is awaiting for instructions from the ASD-Central Office. TES for CYs 2017-2018 were taken up in the books.</p>
<p>65. Delayed and non-submission of the financial reports and supporting schedules such as DVs, Reports of Disbursements (RODs), Reports of Collections and Deposits (RCDs), Purchase Orders, perfected contracts, Report of Accountability for Accountable Forms (RAAFs) and Reports of Inspection on consumable and perishable items, as well as unserviceable and disposable government property and other assets and other relevant supporting documents were not submitted within the prescribed period, contrary to the provisions of COA Circular Nos. 2009-001, 2009-006, 95-006, Section 100 of PD No. 1445 and Section 22 of the MNGAS, Volume I, thus preventing the Auditors' timely audit, review and determination of the validity, propriety and legality of the Agency's transactions.</p>	<p>Partially Implemented.</p>
<p>We recommended that the Management of the concerned ROs/POs to require the concerned Accountants, Bids and Awards Committee (BAC) and property officers to strictly adhere to the provisions of COA Circular Nos. 2009-001, 2009-006, 95-006, Section 100 of PD No. 1445 and the MNGAS Volume I on the submission to COA of the required financial reports, copy of contracts and Purchase Orders and supporting documents; and</p>	
<p>66. The absence of policies to address the recurring short landing on rice importation in NCR disregarded accountability inherent to its operation and financial transactions, resulting in unaccounted stocks and loss of funds from government coffers and deprivation of availability of NFA rice to its intended consumers. In CY 2015, the customs duties</p>	

Observations and Recommendations	Actions Taken/Comments
<p>of P92.352 million were subsidized by the government on the 1,586.714 MT short landing.</p>	
<p>We recommended that NCR Management, in coordination with the HO revisit the established policies in the rice importation operations and financial transactions to identify critical processes with or without effective embedded controls;</p>	<p>Partially Implemented</p> <p>Although management included in the Terms of Reference the imposition of penalty to short landed stocks, NFA has no written policy issued to address the accountability of personnel inherent</p>
<p>67. NCR-CDO and NDO did not conduct bag to bag count with 100 per cent weighing when the WSs replaced each other contrary to the provisions of NFA SOP No. GM-WH12. Thus, the accuracy of the balances of the stocks transferred could not be determined and any shortage/overage incurred by the former WS could be carried over to the incumbent WS. Likewise, the risk of mix-up of the receipts and issuances could result from housing their stocks at the same warehouses.</p> <p>We recommended that NCR-CDO and NDO Management:</p>	
<p>a. Refrain from having change of WS/accountable officer without the conduct of a bag to bag count and 100 per cent weighing to establish the actual balances of stock accountabilities at time of transfer; and</p>	<p>Partially Implemented.</p> <p>CDO informed that only 5,000 bags and below require 100 per cent weighing during cut-off of accountability and that to refrain from having change of accountable officers unless their accountability is depleted or at its low level deters the conduct of their stock examination, while effecting the cut-off of their stock accountability would fast track stock examination and TOLA computation.</p>
<p>b. Facilitate the immediate transfer of each accountable officer's stocks to his assigned warehouse or the transfer of stocks to the accountable officer occupying the warehouse where his stocks are still located to avoid mix-up of stock transactions.</p>	<p>Not Implemented.</p> <p>The immediate transfer of each accountable officer's stocks to his assigned warehouse could not be implemented as no mix-up of stocks</p>

Observations and Recommendations	Actions Taken/Comments
<p>68. In Cebu PO, the errors and/or misstatements in reporting the weight of imported rice received resulted in an unusual increase in the average weight per bag at the time of issue as against the reported average weight at the time of receipt at an estimated amount of at least P1.416 million.</p>	<p>would occur since balances of stock accountabilities are already established in their stock reports on marketable stocks and in their respective layouts.</p>
<p>We recommended that Management:</p>	
<p>a. Instruct the Cebu PO to monitor and account the final overage in the accountability of the WS in Warehouse 113 considering the notable difference to ensure proper recognition of the overage in the financial records and proper liquidation of his accountability;</p>	<p>Partially Implemented.</p> <p>The results of liquidation with material overages are with Internal Audit Services (IAS) for further review.</p>
<p>b. Consider the use of digital weighing platform scale in all warehouses that would automatically produce receipts indicating the actual weight in order to eliminate human factor and discretion in the declaration of weight in all transactions in the warehouse; and</p>	<p>Partially Implemented.</p>
<p>69. The palay procured by Nueva Ecija PO of about 32,695 bags to 49,507 bags and by Aurora PO of still undetermined quantity from October to December 2015 classified and paid as good quality were confirmed as storm damaged palay (SDP) based on the initial result of the quality analysis of palay samples conducted by the Regional Standard Quality Assurance Office (RSQAO) and joint effort of TRSD in HO and the Central Luzon Regional Office (CLRO) QAO. Thus, the possibility that the Agency had paid higher amount than the actual/true value of the palay procured cannot be discounted.</p>	<p>Partially Implemented.</p>
<p>We recommended that Management uphold an impartial investigation that will lead to the</p>	

Observations and Recommendations	Actions Taken/Comments
<p>filing of administrative/ criminal charges against those erring Nueva Ecija PO's officials and employees identified to have participated and contributed in the commission of the anomaly in palay procurement, including those individuals or groups from the private sector who possibly connived in committing such crime.</p>	<p>On-going implementation.</p>
<p>70. The maximum weekly rice allocation to various retailers as determined in the NFA SOP No. GM-DN09 was not observed in NCR-CDO, thus, casting doubt on whether the intentions of the allocation system was served and could lead to diversion of stocks.</p>	<p>Not Implemented.</p>
<p>We recommended that strict monitoring be made especially on retailers who are given excessive weekly rice allocations to prevent diversion or the selling of NFA rice whether as NFA rice or commercial rice to either accredited or non-accredited retailers.</p>	
<p>71. Storage fees of P1.318 million for CY 2015 alone were not imposed on rice sold but unwithdrawn within the prescribed period in NCR-SDO, contrary to Item 6 of NFA SOP No. GM-DN09.A, as amended, thus understating the Service Income account for the same amount while at NCR-NDO, the accuracy and completeness of the income and penalties collected from the market stall rentals at the Valenzuela Gulayang Bayan Center (VGBC) in CY 2015 cannot be ascertained in the absence of perfected contracts of lease for 75 tenants. Moreover, the one-month contracts of lease which were renewed monthly have exceeded two years, contrary to Section 533 of the GAAM, Vol. I and COA Circular No. 88-282A dated April 18, 1988.</p>	<p>Partially Implemented.</p>
<p>We recommended that Management require the NCR-SDO to instruct responsible officers and employees to collect and record the amount of P1.318 million storage fees due from accredited retailers in CY 2015. Henceforth, strictly comply with the provisions</p>	<p>The SDO Management initially collected storage fees due from accredited retailers in CYs 2015 and 2016.</p>

Observations and Recommendations	Actions Taken/Comments
<p>in Item 6 of NFA No. SOP GM-DN09.A, as amended.</p>	
<p>72. The objective of providing marketing and post-harvest facilities to farmer-members of Irrigators' Associations (IAs) in Regions VIII and X under the fourth component of IRPEP was not fully attained due to (a) failure to repair the two warehouses in Region X; (b) underutilization of Farmers' Kiosks (FKs) in the absence or slow internet connection in the location of FKs, lack of receptiveness of farmers toward the system and distant location of FKs to the farmers; and (c) only 69.51 per cent of the targeted 3,641 participants from Communal Irrigators' Associations (CIAs) were trained on Collective Marketing System (CMS), thus depriving the intended farmer-beneficiaries of the benefits to be derived from the project.</p>	
<p>We recommended that Management submit Liquidation Report for Audit Team's validation and issuance of Credit Notice as required by the DA and return the remaining project fund balance of P2.258 million to the DA considering that the budget for IRPEP implementation pertained only to CYs 2011 to 2015; and</p>	<p>Partially Implemented.</p> <p>Only the remaining amount of the fund was returned to DA. Bank interest income has not been refunded.</p>
<p>73. Expenses amounting to P181,824 incurred for the trainings and seminars conducted in CY 2015 were not adequately supported contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001, thus the propriety/validity of the expenses could not be fully established. In addition, the non-monitoring of procured IT equipment and furniture and fixtures costing P1.018 million during the implementation of IRPEP is not in consonance with Section 1, Item No. 3 of COA Circular No. 94-013, which rendered the accountability and existence of these properties doubtful.</p>	
<p>We recommended that Management Instruct the ASD, Regions VIII and X to account all the properties procured under IRPEP including</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
<p>the determination of their location and status to facilitate the eventual transfer of these properties to NFA.</p>	
<p>74. Honoraria in the total amount of P1.090 million were granted to CDF Secretariat/Committee members in CY 2015 despite the absence of documents showing the specific activities undertaken by them, in addition to their regular functions, contrary to the provisions of DBM Budget Circular No. 2007-2 dated October 1, 2007. Thus, the propriety of the claims for honoraria could not be fully established.</p>	
<p>We recommended that Management revisit the provisions of NFA SOP No. TS-ES22 on the grant of honoraria, particularly the rate and documentation of claims to prove entitlement in relation to the provisions of DBM Budget Circular No. 2007-2 and COA Circular No. 2012-001.</p>	<p>Partially Implemented.</p> <p>Management contended that the honoraria received by the CDF Secretariat Committee members conformed with the provisions of DBM Budget Circular No. 2007-2 and COA Circular No. 2012-001.</p>
<p>75. Lack of clear guidelines on the extension of grants to proponents in excess of P0.500 million may result in inconsistent application in their approval. In addition, the absence of provisions in the MOA executed with grantees particularly stating the procedures and rules on their liquidation may result in delayed liquidation/non-liquidation thereof.</p>	
<p>We recommended that Management:</p>	
<p>a. Revisit the provisions of NFA SOP No. TS-ES22 on the extension of grant with end in view of providing clear guidelines on the limitations as to amount, number of projects per proponent and the exceptions, if any; and</p>	<p>Partially Implemented.</p>
<p>b. Ensure that the procedures as well as the documentary requirements in the liquidation of inter-agency fund transfers/grants provided in COA Circular No. 2012-001 and other existing laws, rules and regulations are complied with by the grantees.</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
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CY 2014 AAR

76. The receipt of 832,186 bags of imported rice was recorded by the Cavite PO in the Merchandise Inventory account at a fixed amount of US\$462.25/MT, translated in Philippine Peso, instead of the cost indicated on the vessel's commercial invoices, thereby overstating the account by P12.555 million. Also, the foreign exchange (ForEx) rates used were computed daily, which are prone to error and difficulty in locating transactions in cases when adjustments are required to correct previous accounting entries.

We recommended that Management require the Accounting Specialist of Cavite PO to consider the applicability of using the average US\$ exchange rate for a week or a month provided under PAS 21, instead of daily exchange rate.

Not Implemented.

The instruction from NFA-Central Office pertains to imputation of CD for 2016 rice importation only, based on the contract price. Management already informed ASD-Central Office on the matter and will wait for further advice for the accounting treatment.

77. Variances of 84,782.450 nkgs amounting to P1.853 million were not immediately resolved due to lax monitoring and supervision of stocks unloading and deliveries during the intra-regional stock dispersal from NFA Cebu PO to NFA Leyte PO. Moreover, Merchandise Inventory was overstated by P70.737 million due to errors and absence of advice on Standard Transfer Cost (STC).

We reiterated our prior year's audit recommendation that NFA Leyte PO Management require the Provincial Accountant to record the dispersal losses of P1.853 million and prepare adjusting entries to correct the overstatement of P70.737 million in the Merchandise Inventory and Due to Operating Units accounts.

Partially Implemented.

Liquidation of past accountabilities is partially implemented due to unavailability of documents due to severe termite infestation

Observations and Recommendations	Actions Taken/Comments
<u>CY 2013 AAR</u>	
<p>78. The Cereal Procurement Fund (CPF) in 2013 of P7.890 billion was not fully maximized for the procurement of palay of which the unutilized amount of P1.019 billion or 12.9 per cent of the total available funds could have been used to procure 1.172 million bags of palay for the buffer stock of NFA. This condition resulted from the shortfall of 415,779 MT or 53.3 per cent of the targeted volume of procurement and the setting of very low procurement target compared to the palay production of more or less 368,788,120 bags or 18,439,406 MT. :</p>	
<p>We recommended that Management</p>	
<p>a. Review the setting of procurement targets considering the established data on palay production to maximize the utilization of available funds to be able to maintain the mandated buffer stock of NFA;</p>	<p>Partially Implemented</p>
<p>b. Evaluate the procurement performance of the ROs/POs with low accomplishments to determine the necessary assistance and measures needed to improve the implementation of the procurement program; and</p>	<p>Partially Implemented</p>
<p>c. Formulate strategies to increase the procurement of palay, and encourage participation from farmers, among others:</p>	
<p>c.1 Intensify information dissemination on palay procurement before the start of main crop season to encourage farmers to sell their produce to NFA;</p>	<p>Partially Implemented.</p> <p>Significant increase in the procurement was noted due to increase in the buying price of palay effective October 2018.</p>
<p>c.2 Deploy more procurement teams in areas where harvesting season is ongoing. Put in place the early preparation of palay procurement logistics plan that include the pre-positioning of equipment and personnel both in</p>	<p>Partially Implemented.</p> <p>NFA already surpassed its palay procurement target of 4.65 million bags for the first half of 2019. Buying stations were strategically located</p>

Observations and Recommendations	Actions Taken/Comments
stationary buying stations and mobile procurement teams in their respective service areas with early harvest schedule;	nationwide.
c.3 Ensure that NFA's assistance are accessible to farmers like the post-harvest facilities that they can use to minimize post-harvest losses; and	Partially Implemented.
c.4 Regularly monitor extent of utilization of available funds based on the palay production during the period to meet or even exceed the targeted palay procurement.	Revised and reformulated under Part II – Observations and Recommendations No. 20 of this Report.
<p>79. The causes of the total variance of 449,696.58 nkgs, with equivalent value of P11.170 million, between the stocks (rice) received by six POs of NFA RO VIII of 28,213,880.47 nkgs as reported in the stock records and accounting records of 28,663,577.05 nkgs remained not detected due to non-preparation of the Monthly Reconciliation Statement of the Stock Reports against the Stock Book and Physical Inventory Report, rendering the quantities reported unreliable.</p> <p>We recommended that Management:</p>	
a. Require the Stock Examination Committee of the Provincial Office to immediately conduct the examination on the concerned Stocks and Grains Operation Officer (SGOOs)/WSs to establish accountability for the variances; and	<p>Partially Implemented.</p> <p>In Biliran PO, stock examination of the former Warehouse Supervisor is not yet complete due to lack of manpower.</p>
b. Include in the policies on dispersal, the regular reconciliation between records of the issuing and receiving offices and prepare a quarterly reconciliation report for submission to the Provincial Manager so that solutions to problems can be timely instituted to ensure that balances reported are accurate.	Partially Implemented.
<p>80. Control procedures or activities on complete documentation and proper authorization in the distribution of rice for the</p>	

Observations and Recommendations	Actions Taken/Comments
<p>Typhoon Yolanda relief operations were not adequately implemented at NFA-CDO and NFA-SDO which could result in possible losses to NFA.</p>	
<p>We recommended that the CDO and SDO Management see to it that the control procedures on complete documentation and proper authorization in the delivery of stocks for relief operations are properly implemented by enjoining the responsible officials and personnel to prepare the contracts on credit sales for DSWD's conforme on the actual issuances based on WSIs and DRs; and, thereafter, immediately bill and/or promptly reconcile with their records, as appropriate, to enable immediate collection.</p>	<p>Partially Implemented.</p> <p>All billing statements related to Typhoon Yolanda relief operation were already submitted to DSWD/DND. Billings were already settled except that for DND/NDRRMC.</p>
<p>81. Despite the issuance of billing statements, a total of 37,765 bags of rice worth P50.983 million out of the 225,136 bags released by Region VIII to various government agencies and private institutions for relief operations to the victims of super Typhoon Yolanda remained unpaid as of year-end. Moreover, there were rice releases not supported with Memorandum of Agreement (MOA), Deed of Undertaking and Purchase Orders, while a total of 800 bags of rice purchased by two LGUs from Eastern Samar remained not withdrawn as of December 31, 2013.</p>	
<p>We recommended that Management request the concerned LGUs to coordinate with DSWD for the immediate settlement of their unpaid accounts, and enforce from the concerned national government agencies payment of their obligations to NFA.</p>	<p>Partially Implemented</p>
	<p>In the CY 2018 Region VIII Consolidated Management Letter, Southern Leyte PO Management informed that Receivables from the League of Municipal Mayors were rice issuances for Typhoon Yolanda Relief Operations. This receivable was endorsed by the Leyte Governor to the Office of Civil Defense (OCD) Eastern Visayas Region. This account was endorsed further to the Office of the Cabinet Secretary Task Force Yolanda. Follow up letters</p>

Observations and Recommendations	Actions Taken/Comments
<p>82. The lease of privately-owned property at the NFA-NCR for use of the district offices grains storage amounted to P275.075 million for the past three years, or an average of P91.692 million per year, which based on historical cost of a 90,000-bag capacity of NFA-owned warehouse in Cavite, can already be considered more than sufficient to build own facility, thereby reducing storage expenses.</p>	<p>were already sent to the agency concerned, however, no reply has as yet been received.</p>
<p>We recommended that Management conduct cost-benefit analysis on the viability of constructing NFA-NCR warehouses <i>vis-a-vis</i> cost of leasing warehouses.</p>	<p>Partially Implemented</p> <p>NCR conducted an evaluation in Cavite area and recommended the purchase of land and construction of new warehouse with storage capacity of 200,000 bags for 15-days food security stocks to minimize rental expense.</p> <p>NFA-NCR is awaiting instruction from HO on the implementation of proposed purchase of land and construction of office building and warehouses to be funded by proceeds from sale of Uniden property to DOTC.</p>
<p>83. The provision of the Loan Agreement executed by the North Cotabato Free Farmers Cooperative, Inc. (NCFFCI) with NFA regarding the payment of first installment, which will reckon from the release of the full amount of loan, differed from what was provided for in SOP No. TS-ES22.19.1, which should reckon from the date of initial release of the loan proceeds, to the disadvantage of NFA.</p>	<p>Partially Implemented.</p> <p>NCFFCI restructured its CDF loan. A total of P2.965 million principal and</p>

Observations and Recommendations	Actions Taken/Comments
the debtors/beneficiaries.	interest has been collected from NCFFCI as of CY 2018.

CY 2012 AAR

84. The balances of Assets, Liabilities, and Capital Deficiency in the balance sheet differed from the totals of the regional balances by P15.381 million, P250.550 million, and P265.931 million, respectively, which affected the accuracy and completeness of the balances presented in the financial statements; and affected the fair view of the financial condition of NFA as a whole.

We recommended that Management verify and account for the noted differences, and adjust accordingly to come up with reliable financial statements of NFA.

Revised and reformulated under Part II – Observations and Recommendations No. 2 of this Report.

We further recommended that Management continuously verify and monitor the reversal of the temporary entries in the books of the regional offices; and

Partially Implemented

At NCR, the team tasked to reconcile the variances between the Consolidated and Non-Consolidated TBs is currently encoding the Prooflist of Trial Balances (PTB) to facilitate immediate reconciliation of accounts. To date, the PTBs for the years 1997-2005 and 2014 to present are already finished and will be subjected for further review and analysis.

Variances between Totals of Individual TB and Combined TBs for CY 2018

ACCOUNTS	Totals of Individual TB	COMBINED TB	DIFFERENCE	
			AMOUNT	%
CASH AND CASH EQUIVALENTS	983,671,924.27	983,644,748.82	27,175.45	0.00%
INVESTMENTS	1,121,456,568.50	159,726,964.53	961,729,603.97	602.11%
RECEIVABLES	50,257,476.92	39,065,032.00	11,192,444.92	28.65%
INTER-AGENCY RECEIVABLES	1,017,906,431.79	1,019,818,271.06	(1,911,839.27)	-0.19%
INTRA-AGENCY RECEIVABLES	300,991,504,760.68	300,176,526,837.99	814,977,922.69	0.27%
OTHER RECEIVABLES	3,625,664,686.95	3,175,059,404.45	450,605,282.50	14.19%
INVENTORIES	3,730,100,149.74	3,729,889,587.36	210,562.38	0.01%
ADVANCES	3,582,231.00	3,780,240.52	(198,009.52)	-5.24%
PREPAYMENTS	82,448,088.73	82,441,793.43	6,295.30	0.01%
OTHER ASSETS	877,074,547.88	98,387,026.73	778,687,521.15	791.45%
TOTAL CURRENT ASSETS	312,483,666,866.46	309,468,339,906.89	3,015,326,959.57	14.31
INVESTMENTS	-	961,729,603.97	(961,729,603.97)	-100.00%
LAND & LAND IMPROVEMENTS	415,222,848.56	417,851,670.72	(2,628,822.16)	-0.63%
BUILDINGS	1,097,962,010.58	1,095,287,046.56	2,674,964.02	0.24%
MACHINERIES AND EQUIPMENT	417,038,072.57	382,680,415.54	34,357,657.03	8.98%
TRANSPORTATION EQUIPMENT	31,926,265.78	66,361,591.54	(34,435,325.76)	-51.89%
FURNITURE, FIXTURES AND BOOKS	16,063,165.12	16,001,325.38	61,839.74	0.39%
CONSTRUCTION IN PROGRESS	73,838,876.51	73,830,663.01	8,213.50	0.01%
OTHER PROPERTY, PLANT AND EQUIPMENT	4,826,677.20	4,857,005.20	(30,328.00)	-0.62%
OTHER ASSETS	-	1,299,089,070.62	(1,299,089,070.62)	-100.00%
TOTAL NONCURRENT ASSETS	2,056,877,916.32	4,317,688,392.54	(2,260,810,476.22)	(2.44)
TOTAL ASSETS	314,540,544,782.78	313,786,028,299.43	754,516,483.35	11.88
PAYABLE ACCOUNTS	50,604,714,553.58	50,658,798,379.49	(54,083,825.91)	-0.11%
LOANS PAYABLE	62,659,891,924.62	11,564,824,647.10	51,095,067,277.52	441.81%
INTER-AGENCY PAYABLES	52,395,847,686.03	47,862,189,110.37	4,533,658,575.66	9.47%
INTRA-AGENCY PAYABLES	296,188,317,721.89	300,174,796,608.36	(3,986,478,886.47)	-1.33%
OTHER LIABILITY ACCOUNTS	788,772,514.76	673,818,403.11	114,954,111.65	17.06%
TOTAL CURRENT LIABILITIES	462,637,544,400.88	410,934,427,148.43	51,703,117,252.45	4.67
OTHER NON CURRENT	-	51,095,067,277.52	(51,095,067,277.52)	-100.00%
DEFERRED CREDITS	127,103,062.20	192,051,852.75	(64,948,790.55)	-33.82%
TOTAL NONCURRENT LIABILITIES	127,103,062.20	51,287,119,130.27	(51,160,016,068.07)	(1.34)
TOTAL LIABILITIES	462,764,647,463.08	462,221,546,278.70	543,101,184.38	3.33
EQUITY	(148,152,487,194.97)	(148,363,902,493.94)	211,415,298.97	-0.14%
TOTAL LIABILITIES AND EQUITY	314,612,160,268.11	313,857,643,784.76	754,516,483.35	3.33

National Food Authority
Details and Status of Unsettled Audit Suspensions, Disallowances and Charges
As of December 31, 2018

I. Notices of Suspension (NSs)

NS No./Date	Nature/Particulars	Persons Responsible	Amount	Status
<u>Region I</u>				
<u>RO</u>				
18-003-GOF(18)/ 10/09/2018	Payment of Office Supplies	PC4ME Stop Computer Corp	P 1,282	
18-004-GOF(18)/ 10/22/2018	Payment of Gift Check as Retirement Award	Frederick B. Dulay	10,000	
18-006-GOF(18)/ 11/12/2018	Procurement of two Mechanical Dryers	AgriComponent Corp.	1,919,192	
18-007-GOF(18)/ 11/16/2018	Payment of Terminal Leave	Maricel M. Ancheta	160,239	
18-008-GOF(18)/ 12/10/2018	Travelling Expenses	Rodolfo W. Corpuz	1,375	
18-009-GOF(18)/ 12/10/2018	Liquidation of Anniversary Allowance Meal	Victoria I. Mendoza	17,500	
18-008-GOF(18)/ 12/10/2018	Payment of supplies	Sonny Rey Rivera	434	
18-011-GOF(18)/ 12/10/2018	Payment of Terminal Leave	Manuel C. Caloawa	85,206	
			2,195,228	
<u>La Union PO</u>				
18-003-GOF(18)/ 11/29/2018	Warehouse Rental-July 2018	Benemerito Rice Dealer/Miller	100,582	
18-004-GOF(18)/ 11/29/2018	Warehouse Rental-August 2018	Benemerito Rice Dealer/Miller	135,567	
18-005-GOF(18)/ 11/29/2018	Warehouse Rental-September 2018	Benemerito Rice Dealer/Miller	135,567	
18-006-GOF(18)/ 11/29/2018	Warehouse Rental-October 2018	Benemerito Rice Dealer/Miller	135,567	
18-007-GOF(18)/ 11/29/2018	Warehouse Rental-November 2018	Benemerito Rice Dealer/Miller	135,567	
18-008-GOF(18)/ 11/29/2018	Liquidation of Anniversary Allowance Meal	Maryline V. Laconsay	15,000	
			657,850	
			2,853,078	

Region II

Quirino

18-001(17/18)/ 12/20/18	Payment of Fuel Consumption for Use of Gov't. Vehicle	Enrique D. Baliang, et al.	247,754
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Nueva Vizcaya

18-001(17/18)/ 12/12/18	Payment of Fuel Consumption for Use of Gov't. Vehicle	PM, SAS, AO III, Solano Petron Service Center, Truck Drivers	91,872
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339,626

Region VI

RO

18-001(2016)/ 05/28/2018	Payment of GAIP	No details provided	560
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18-002(2016)/ 05/28/2018	Payment of GHIP	No details provided	332,616
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18-003(2017)/ 05/28/2018	Payment of GAIP	No details provided	5,120
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18-004(2017)/ 05/28/2018	Payment of GHIP	No details provided	456,014
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18-005/06/11/2018	Payment of GHIP	No details provided	231,000
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18-005/06/13/2018	Payment of GAIP	No details provided	3,360
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1,028,670

Iloilo PO

18-001(2016)/ 05/28/2018	Payment of GAIP	No details provided	1,520
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Capiz PO

2018-001-GOF(2016- 2018)	Payment of GAIP CY 2016-2018	No details provided	20,171
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Aklan PO

2018-001-GOF(2016- 2018)/10/05/2018	Payment of GAIP CY 2016-2018	No details provided	5,607
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Antique PO 2018-001-GOF(16)/ 10/08/2018	Payment of GAIP 2016	No details provided	960
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2018-001-GOF(16)/ 10/08/2018	Payment of GAIP 2016	No details provided	960
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29,218

1,057,888

Region VII

No details provided	No details provided	No details provided	675,000	No details provided
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675,000

Region VIII

RO

2015-10-07(2015)/ 10/13/2015	Purchase of Airline Ticket	Celedonio P. Mendoza Henry H. Tristeza Ali M. Villamor Eduard Jayson M. Conchada	68,633
2016-09-012/ 09/27/2016	Travelling Expenses	Celedonio P. Mendoza Henry H. Tristeza Talitha Thea B. Arpon Erah Syl D. Arcallana	14,445
2016-09-015/ 10/24/2016	Purchase of Office Supplies	Celedonio P. Mendoza Henry H. Tristeza Talitha Thea B. Arpon Erah Syl D. Arcallana	18,219
2016-09-016/ 10/24/2016	Purchase of Office Supplies	Celedonio P. Mendoza Henry H. Tristeza Talitha Thea B. Arpon Erah Syl D. Arcallana	20,443
			121,740
Northern Leyte			
2016-06-009(2016)/ 06/01/2016	Travelling Expenses	Zaldy C. Tan Guadelyn O. Esperancilla Eduard Jayson M. Conchada Valentino Tobilla	4,050
2016-06-015(2016)/ 06/24/2016	Petty Cash Expenses	Zaldy C. Tan Guadelyn O. Esperancilla Eduard Jayson M. Conchada Jacklyn Marie and 2 others	10,613
2017-10-005(2016)/ 10/23/2017	Payment of 100% billing for Concreting of Driveway Approach at Entrance	Zaldy C. Tan Eduard Jayson M. Conchada PEDAK Builders Celedonio P. Mendoza Henry H. Tristeza	89,148
2017-10-006(2016)/ 10/24/2017	First and Final payment for repair/rehabilitation of powerhouse at NFA, Palo, Leyte	Zaldy C. Tan Eduard Jayson M. Conchada Myrna L. Navales Mighty A's Construction and Hardware Supply Celedonio P. Mendoza, et. al.	456,743
2018-03-002(2017)/ 03/22/2018	Partial payment for 2.5TPH Capacity Multi- Pass Ricemill		5,883,669
			6,444,223

Biliran

2017-04-002/ 06/08/2017	Rehabilitation of NFA roofing and building	Ma. Rosario G. Cadiz, et. al	156,959
2017-04-003/ 04/25/2017	Supplies and Equipment	Ma. Rosario G. Cadiz Anafil Y. Malabat	33,365
2017-04-002/ 04/21/2017	Supplies	Ma. Rosario G. Cadiz Anafil Y. Malabat	2,863
2016-07-010/ 07/14/2016	Reimbursement supplies	of Martina O. Lodero Alejandro T. Montejó Prima T. Juntilla	2,400
2016-07-009/ 07/14/2016	Labor expenses	Martina O. Lodero Alejandro T. Montejó Manolo Sanora	1,200
2016-07-008/ 07/14/2016	Catering services	Martina O. Lodero Alejandro T. Montejó	4,750
2016-07-007/ 06/23/2016	Cash Advance	Martina O. Lodero Alejandro T. Montejó Nancy J. de la Pena	8,000
2016-06-006/ 06/21/2016	Reimbursement supplies	of Martina O. Lodero Alejandro T. Montejó Prima T. Juntilla	2,400
2015-05-001/ 05/17/2016	Travelling expenses	Martina O. Lodero Alejandro T. Montejó	1,280
			213,217

Southern Leyte

2018-01-002(2017)/ 01/22/2016	Travelling expenses	Lorna S. Ortiz Florabelle S. Laure Asuncion Gaviola	400
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Northern Samar

2018-001/10/19/2018	Carpentry works for the repair of guard house of NFA Rawis	Nomeriano Pajares	9,844
2018-002/10/19/2018	Payment for repair, parts replacement and labor services of 1 unit LCD Projector (Acer brand)	Jonathan O. Mijares	6,094
2018-003/10/19/2018	Purchase of materials for the repair of Rawis Guard House	Nita's Enterprises	3,038
2018-004/10/19/2018	Repair of 1 Unit Refrigerator	Ricardo Galamiton	7,313
2018-005/10/19/2018	Purchase of materials for the repair of NFA Rawis stock room	Nita's Enterprises	9,114

2018-006/10/19/2018	Purchase of materials for repair of waterlines	Nita's Enterprises	14,225
2018-007/10/19/2018	Payment for labor and materials for the repair for the repair of Mitshubishi Adventure, SHP717	Fast Autoworld Phils. Corp.	90,075
2018-008/10/19/2018	Purchase of 1pc quilted uratex foam	Bestgold Mktng Corp	5,489
2018-009/10/19/2018	Payment of replacement of 2pcs oil shaft...	Fast Autoworld Phils Corp	6,255
2018-010/10/19/2018	Payment of general cleaning, repair...	Ricardo Galamiton	6,188
2018-011/10/19/2018	Payment of general cleaning, repair...	Ricardo Galamiton	7,688
2018-012/10/19/2018	Payment of general cleaning, repair...	Ricardo Galamiton	6,375
2018-013/10/19/2018	Payment of labor services for the overhauling of starter motor...	Marvin E. Alao	10,003
2018-014/10/19/2018	Purchase of materials for the repair of electrical	Nita's Enterprises	6,398
2018-015/10/19/2018	Purchase of materials for the repair of electrical wiring at GID Rawis	Nita's Enterprises	6,483
2018-016/10/19/2018	Repair and replacement of spareparts of Mistsubishi L300, Center SFU735	FMB Catarman Spareparts & Services	18,281
2018-17/10/19/2018	Purchase of 4 pcs exterior tires of mitshubishi Adventure SHP717	J Bote Trading	20,784
2018-018/10/19/2018	Purchase of materials for the repair of ceiling & roofing of GID Rawis	Quitac Cons. Supplies and materials	5,896
			239,543
<u>Western Samar PO</u>			
2018-001/10/19/2018	TEV Reimbursement	Marilyn B. Cui	8,400
2018-002/10/19/2018	TEV Reimbursement	Lorna S. Ordiz	15,741

2018-003/10/19/2018	TEV Reimbursement	Lorna S. Ordiz	11,120
2018-004/10/19/2018	TEV Reimbursement	Lorna S. Ordiz	9,600
			44,861
			7,063,984
<u>Region IX</u>			
<u>Ipil PO</u>			
No details provided	No details provided	No details provided	614,144 With settlement of P128,136.64 in CY 2018
			614,144
<u>Region X</u>			
<u>Misamis Occidental PO</u>			
No details provided	No details provided	No details provided	5,388 Unsettled as of 12/31/18.
			P12,609,108

II. Notices of Disallowance (NDs)

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>With CGS Cluster 5 Decision</u>				
<u>Head Office</u>				
10-02-101-05/ 05/17/10	Payment of salaries and allowances	DA; Department Managers - LAD and HRMD; and the payees.	183,604	With CGS Cluster 5 Decision No. 2018-041 dated Nov. 20, 2018, with modification and this decision is final.
12-02-501 (11 & 12)/ 11/7/12	Payment of Honoraria CYs 2011-2012	Administrator and various NFA officials and employees as payees.	507,998	With CGS Decision No. 2015-017 dated Dec. 8, 2015, denying the Appeal.
12-01-501 (11 & 12)/ 10/19/12	Payment of Honoraria CYs 2011-2012.	Administrator, Assistant Administrator (AA), DA, Special Assistant; Department Manager, Assistant Director, Division Chief - ASD; and Payee Department Manager – GMOD	98,845	With CGS-C5 Decision No. 2015-004 dated Jan. 1, 2015, denying the Appeal with recomputation. Partially settled amounting to P47,631.55.
14-01-501 (2012)/ 02/3/14	Payment of Food and Grocery Incentives (FGI) CY 2012	Deputy Administrator (DA) and various NFA officials and employees as payees.	13,275,000	With CGS-C5 Decision No. 2015-018 dated De. 9, 2018, denying the Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
16-002 (2012 and 2013)/ 12/12/16	Reimbursement of meal expenses	Mary Ann R. Culala, et al.	10,000	With partial settlement of P10,000 in CY 2017.
			14,075,447	
NCR				
RO				
14-01-501(12)/ 01/24/14	Payment of FGI CY 2012	Reg. Manager (RM), Reg. Accountant and various NFA officials & employees as payees	3,475,000	ND was affirmed under CGS-5 Decision No. 2015-018 dated Dec. 9, 2015.
2015-03-501(2010)/NCR/ CPO/ 01/27/15	Payment of FGI CY 2010	RM, Accountant, AO, and various NFA officials and employees as payees	3,340,000	-do-
2015-02-501(2011)/NCR/ CPO/ 01/27/15	Payment of FGI CY 2011	RM, Assistant RM, SAS and various NFA officials and employees	3,635,000	-do-
2014-002 (2010)/ 12/18/14	Payment of FGI CY 2010	PM, Assistant PM, SAS, AO, and various NFA officials and employees as payees	3,500,000	With COA Decision No. CGS-5 2015-018 dated 12/9/15, denying the appeal and affirming the disallowances.
2014-003 (2011)/ 12/18/14	Payment of FGI CY 2011	PM, Assistant PM, SAS, AO and various NFA officials and employees as payees	3,450,000	-do-
2014-004 (2008)/ 12/18/14	Payment of FGI CY 2008	PM, Assistant PM, SAS, AO and various NFA officials and employees as payees	2,850,000	-do-
EDO				
14-01-001 (2012)/ 02/14/14	Payment of FGI CY 2012	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees	1,360,000	ND was affirmed under CGS-5 Decision No. 2015-003 dated Jan. 27, 2015.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Batanes PU</u>				
2015-01-501(2010)/BPU/01/28/15	Payment of FGI	OIC, Acting Accountant and various NFA officials and employees as payees	200,000	With CGS-5 Decision No. 2016-004 dated April 28, 2016.
			35,885,447	
<u>Region III</u>				
<u>Aurora PO</u>				
2014-001(2012)/06/30/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	660,000	With Decision No. 2015-018 dated December 9, 2015.
			660,000	
<u>Region IV-A</u>				
<u>Quezon PO</u>				
12-001(08)/07/17/12	Payment of FGI CY 2008	Various NFA officials and employees	615,000	With COA Decision No. 2018-215 dated March 9, 2018, petition for review was denied for the years 2008, 2009 and 2011 in the total amount of P1,835,000.
12-002(09)/07/18/12	Payment of FGI CY 2009	Various NFA officials and employees	580,000	
12-003(11)/07/19/12	Payment of FGI CY 2011	Various NFA officials and employees	640,000	
			1,835,000	
<u>Region V</u>				
<u>Albay PO</u>				
12-001-GOF-(11)/11/26/12	Payment of FGI	PM and various NFA officials and employees as payees	900,000	With COA CP Decision No. 2016-434 dated 12/27/2016 denying the motion for reconsideration and affirming the disallowance. With supplemental ND issued for NFA Councils who approved the FGI grants.
12-002-GOF-(10)/11/26/12	Payment of FGI	PM and various NFA officials and employees as payees	880,000	
14-001-GOF-(12) 9/05/14	Payment of FGI	PM and various NFA officials and employees as payees	930,000	With COA CGS 5 Decision No. 2015-018 dated 12/9/2015 denying the appeal and disallowance was affirmed.
<u>Catanduanes PO</u>				
14-001-101-(12)/05/23/14	Payment of FGI	PM and various NFA officials and employees as	440,000	With COA CP Decision No. 2016-434 dated

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
		payees		12/27/2016 denying the motion for reconsideration and affirming the disallowance.
<u>Sorsogon PO</u>				
2014-09-001/ 09/11/14	Payment of FGI	PM, SAS, Cashier and various NFA officials and employees as payees	630,000	With COA Decision No. 2015-018 dated 12/9/2018 denying the appeal and affirming the disallowance.
<u>Camarines Sur PO</u>				
14-001-101-(12)/ 05/23/14	Payment of FGI	PM, Assistant PM, SAS, AO and various NFA officials and employees	336,873	With COA Decision No. 2015-018 dated 12/9/2018. With partial settlement amounting to P609,672 in CY 2018.
<u>Camarines Norte PO</u>				
14-001-101-(12)/ 05/23/14	Payment of FGI	PM and various NFA officials and employees	410,000	With COA CGS 5 Decision No. 2015-018 dated 12/8/2015 denying the appeal and affirming disallowance.
<u>Masbate PO</u>				
2012-05-001(11)/ 05/21/12	Payment of FGI	PM, SAS, AO and various NFA officials and employees as payees.	440,000	With COA Decision No. 2016-434 dated December 27, 2016. With Supplemental ND No. 2017-001(GOF)(11)
ND No.14-001-101-(12)/ 05/23/14	Payment of FGI	PM, SAS, AO and various NFA officials and employees as payees	480,000	With COA CGS 5 Decision No. 2015-018 dated 12/9/2015 denying appeal and affirming disallowance.
			5,446,873	
<u>Region VI RO</u>				
14-001-GOF (2012)/ 09/9/14	Payment of FGI CY 2012	No details provided.	625,000	With CGS-5 Decision No. 2015-018 dated Dec. 9, 2015. Decision received by the Appellants on

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
				1/28/16.
Capiz PO				
14-001-GOF-(2010)/ 09/9/14	Payment of FGI CY 2010	PM, SAS, and various NFA officials and employees as payees	880,000	With CGS 5 Decision No. 2015- 018 dated Dec. 9, 2015. Decision received by the Appellants on 1/29/16.
14-002-GOF-(2011)/ 09/9/14	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	920,000	-do-
14-003-GOF-(2012)/ 09/9/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	880,000	-do-
Negros Occidental PO				
ND No. 2014-001 (2010)/ 06/30/14	Payment of FGI CY 2010	Assistant PM, SAS, and various NFA officials and employees as payees	910,000	With CGS 5 Decision No. 2015- 018 dated Dec. 9, 2015. Decision received by the Appellants on 3/17/16.
ND No. 2014-001 (2011)/ 06/30/14	Payment of FGI CY 2011	Assistant PM, SAS, and various NFA officials and employees as payees	940,000	-do-
ND No. 2014-001 (2012)/ 06/30/14	Payment of FGI CY 2012	Assistant PM, SAS, and various NFA officials and employees as payees	920,000	-do-
			6,075,000	
			49,902,320	
With Notice of Finality				
HO 18-002 (2012- 2015)/1/17/2018	Reimbursement liquidation expenses IRPEP	and of under	Tessie Osuna, et. al.	18,634 With NFD No. 18- 001 (2012-2015)

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
NCR				
CDO				
14-01-788-03-(12)/ 05/6/14	Payment of FGI CY 2012	Provincial Manager (PM), Accountant and various NFA officials and employees as payees	2,020,000	With Notice of Finality of Decision (NFD) dated 12/5/16 and COA Order of Execution (COE) No. 2017-002 dated 1/3/17.
			2,038,634	
Region IV-A				
RO				
2010-01-(2008)/ 01/7/2010	Payment of FGI CY 2008	RM, Regional Accountant and various NFA officials and employees as payees.	835,000	With NFD and COE but with Supreme Court Decision dated May 31, 2016.
2010-02-(2009)/ 04/6/10	Payment of FGI CY 2009	RM, Regional Accountant and various NFA officials and employees as payees.	700,000	-do-
Batangas PO				
2010-01-(2008)/ 01/7/10	Payment of FGI CY 2008	PM, Assistant PM and various NFA officials and employees, as payees.	542,336	With NFD and COE but with Supreme Court Decision dated May 31, 2016 that NFA employees need not refund the FGI for the year 2009. With partial settlement of P125,073 in CY 2018.
2010-03-(2009)/ 12/3/10	Payment of FGI CY 2009	PM, SAS and various NFA officials and employees, as payees.	1,020,000	With NFD and COE but with Supreme Court Decision dated May 31, 2016 that NFA employees need not refund the FGI for the year 2009.
			3,097,336	
Region IV-B				
Calapan Oriental Mindoro				
13-001-GOF(12)/ 10/25/13	Payment of FGI CY 2012	Various NFA officials and employees	60,350	With NFD and partial settlement of 208

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
				P177,430 in CY 2018.
Mamburao PO				
2009-002-101/01/7/10	Payment of FGI CY 2009	Various NFA officials and employees	740,000	With NFD served to management on April 26, 2018
			800,350	
Region IX				
<u>Ipil PO</u>				
11-001-101(10)/02/4/11	Payment of FGI	PM, SAS, Cashier, and various NFA officials and employees.	480,000	With NFD dated 3/20/15.
11-002-101(10)/02/11/11	CNAI	Various NFA officials and employees.	284,586	With NFD dated 3/20/15. Salary deduction started March 2015.
11-004-101(10)/04/19/11	Travelling allowance	SAS and PRLO	160	PRLO retired. With NFD dated 3/20/15.
<u>Zamboanga del Norte PO</u>				
12-005 GOE 1005(12)/05/15/12	CNAI	Various NFA officials and employees	13,000	NFDs were already issued and received by the persons liable on Jan. 6, 2015.
12-004 GOE 1005(10)/05/28/12	CNAI	Various NFA officials and employees	15,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.
12-004 GOE 1012(10)/09/22/12	Cash advance for travel	Various NFA officials and employees	13,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.
13-001 GOE 1212(12)/01/4/13	Payment of FGI	Various NFA officials and employees	60,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.
13-002 GOE 1212(12)/	Payment of FGI	No details	570,000	Issued NFDs which

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
01/11/13				was received by persons liable either by personal service or through registered mail.
<u>Zamboanga del Sur PO</u>				
2012-01-(2010-2011)/12/3/12	Payment of FGI	PM, SAS and various NFA officials and employees as payees.	1,720,000	With Notice of Finality of Decision dated Sept. 29, 2015.
			3,155,746	

Region X

Misamis Occidental

15-001(15)/07/20/2015	Payment of step increment	Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	3,101	With NFD dated 03/11/2016
15-002(15)/07/20/2015	Payment of step increment	Glorioso T. Manlegro Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	2,129	With NFD dated 03/11/2016
15-003(15)/07/20/2015	Payment of step increment	Remedios S. Alberca Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	1,438	With NFD dated 03/11/2016
15-001(14)/07/20/2015	Payment of step increment	Remedios S. Alberca Ibarra G. Mariano, Jr. Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	1,426	With NFD dated 03/11/2016
			8,094	

CARAGA

Surigao del Norte

10-01-101-(10)/09/9/10	Payment of FGI	Florife C. Alatraca, et. al	259,000	With NFD and partial settlement of P341,000 in CY 2018
12-001-GOF-(11)/06/27/12	Payment of FGI	Eriberto V. Atibagos, et. al	640,000	With NFD received by management on 2/13/19
2014-01(12)/02/6/14	Payment of FGI	PM, SAS and various officials and employees.	560,000	SC issued en banc notice dated 6/3/16-GR Nos. 217818 et. al dated May 31,

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
				2016 and NFA SDN need not refund.
<u>Surigao del Sur</u>				
11-001-111 02GOF (09)(10)/ 03/30/11	Payment of FGI	Various NFA officials and employees	660,000	With NFD from the Commission Proper Adjudication Secretariat Support Services Sector. With partial settlement of P171,000 in CY 2018.
			2,119,000	
			11,219,160	
<u>With COE Palawan PO</u>				
09-001-101 (09)/ 12/28/09	Payment of FGI CY 2008	RM, PM, SAS and various NFA officials and employees as payees	253,570	With COE dated 3/19/12. Partially settled.
2011-001 (2009)/ 09/6/11	Payment of FGI CY 2009	PM, SAS and various NFA officials and employees as payees	178,688	With Motion to set aside COE implementation; Answer to Appeal submitted per Director's Order; With partial settlement of P139,277 in CY 2016
2011-002 (2010)/ 10/26/11	Payment of FGI CY 2010	PM, SAS and various NFA officials and employees as payees	254,279	With COE. With partial settlement of P5,000 in CY 2018.
			686,537	
<u>With Appeal filed/Unsettled/With Partial Payment HO</u>				
17-002(2015-2016) 11/29/2017	Travelling Expenses of NFA-EA	Roman M. Sanches, et. al.	489,199	With Appeal.
18-001 (14)/ 1/16/2018	Reimbursement of meal expenses	Francis Pangilinan, et. al	417,771	With Appeal.
18-003 (2016)/ 7/5/2018	Payment of GHIP, GAIP and EHCP	Ludovico J. Jarina, et. al.	2,373,280	With Appeal.
18-004(11/12)/	Payment of Honoraria	Administrator,	37,612	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
8/23/18	CYs 2011-2012.	Assistant Administrator (AA), DA, Special Assistant; Department Manager, Assistant Director, Division Chief - ASD; and Payee Department Manager – GMOD		
<u>CDO</u>				
17-001(2015) 3/29/17	Rice allowance	NFA Council Members	13,810	Unsettled as of 12/31/17.
16-01-(2010)/ 2/26/16		Marciano A. Alvarez, et al.	2,280,000	With Petition for Review dated Dec. 27, 2016
16-02 (2008) 2/26/16		Marciano A. Alvarez, et.al	1,955,000	-do-
<u>NDO</u>				
2014-001 (2012)/ 02/20/14	Payment of FGI CY 2012	PM, Assistant PM, Senior Accounting Specialist (SAS), Administrative Officer (AO) and various NFA officials and employees as payees	3,340,000	Under Appeal.
<u>EDO</u>				
14-01-002 (2010)/ 12/18/14	Payment of FGI CY 2010	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees.	1,340,000	With Petition for Review per COA CP Case No. 2016-967 dated Oct. 18, 2016.
14-01-003 (2011)/ 12/18/14	Payment of FGI CY 2011	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees.	1,460,000	-do-
14-01-004 (2009)/ 12/18/14	Payment of FGI CY 2009	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees.	1,380,000	-do-

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>SDO</u>				
2014-001 (2012)/ 05/15/14	Payment of FGI CY 2012	PM, Assistant PM, SAS, and various NFA officials and employees as payees.	1,100,000	Petition for review submitted to CP on Feb. 12, 2015.
			16,186,672	
<u>CAR</u>				
<u>Benguet PO</u>				
BPO-14-01-(2013)/ 01/24/14	FGI Incentives CY 2012	PM, SAS, and various NFA officials and employees as payees.	414,000	With Petition for Review.
<u>Ifugao PO</u>				
2014-01-101/ 03/31/14	Payment of FGI	PM, SAS, and various NFA officials and employees as payees	300,000	ND was affirmed under CGS-5 Decision No. 2015- 018 dated Dec. 9, 2015. With Petition for Review before the COA Commission Proper.
<u>Kalinga PO</u>				
2014-01-101/ 03/31/14	Payment of FGI	PM, SAS, and various NFA officials and employees as payees	545,000	ND was affirmed under CGS-5 Decision No. 2015- 001 dated 1/8/15. With Petition for Review before the Commission Proper.
<u>Mt. Province PO</u>				
2014-01-101	Payment of FGI	PM, SAS, and various NFA officials and employees as payees	240,000	ND was affirmed under CGS-5 Decision No. 2015- 018 dated Dec. 09, 2015. With Petition for Review before the Commission Proper.
			1,499,000	
<u>Region I</u>				
<u>RO</u>				
14-001-106(2012)/ 02/10/14	Payment of FGI CY 2012	RM, SAS and various NFA officials and employees as payees	610,000	With Petition for Review before the Commission Proper..

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
15-003-106(2014)/ 08/10/15	Result of technical evaluation	Various NFA officials/employees and supplier.	69,857	Under Appeal.
16-001-106(2015)/ 1/07/16	Payment of 2015 GHIP	The New India Assurance Company LTD as payee/payor	536,005	Under Appeal.
16-003-106(2015)/ 5/27/16	Result of technical evaluation	H.G. Lopez Construction as payee/payor	146,495	Under Appeal
17-001-106(2016) 1/113/17	Understated Liquidated Damages	Tarlac Mac Enterprises/Supplier; Carlito G. Co, Virginia S. Mariano and Engr. Jonathan U. Corpuz	1,273	Unsettled as of 12/31/18
17-003-106(2016) 1/25/17	CY 2016 GHIP Premiums of Regular Members	Marietta J. Ablaza, Virginia S. Mariano and Leonora V. Cabanban	47,010	Under Appeal
17-004-106(2016) 5/25/17	Familiarization Allowance	Marietta J. Ablaza, Rolando S. Rufo and Virginia S. Mariano	12,000	Under Appeal
17-005-106(2016) 5/25/17	Familiarization Allowance	Shoreen Maglinong, Marietta J. Ablaza and Virginia S. Mariano	5,600	Under Appeal
17-006-106(2016) 5/25/17	Familiarization Allowance	Margie Frialde, Marietta J. Ablaza and Virginia S. Mariano	5,600	Under Appeal
18-001-106(2017)/ 01/08/2018	2017 GHIP Premiums	No details provided	71,625	Under Appeal
18-001-GOF(18)/ 05/16/2018	2018 GHIP Premiums	No details provided	350,700	Under Appeal
18-002-GOF(18)/ 10/08/2018	2018 GAIP Premiums	No details provided	6,320	
18-003-GOF(18)/ 11/12/2018	Personnel Development Award	Novelyn Marcelino	5,000	
18-004-GOF(18)/ 11/12/2018	Excessive Travelling Expense	John McClein V. Valdez	800	
18-005-GOF(18)/			800	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
11/12/2018	Excessive Travelling Expense	Victor Dalton de Castro		
			1,869,085	
<u>La Union PO</u>				
14-001-106(2012)/02/10/14	Payment of FGI	PM, SAS and various NFA officials and employees as payees	620,000	With COA CP Decision No. 2016-461 dated Dec. 28, 2016. A Motion for Reconsideration was subsequently filed.
17-001-106(2016) 2/10/17	CY 2016 GHIP Premiums of Regular Members	Engr. Fortunato B. Bulao, Roycee Charisse P. Ranjo, Anabelle T. Coloma and Divinagracia O. Antolin	81,996	Petition for Review
17-005-106(2017) 7/20/17	Familiarization Allowance	Miljoy D. Melendez, Engr. Fortunato B. Bulao and Royce Charisse P. Ranjo	5,700	Under Appeal
18-001-106(2017)/01/09/2018	2017 GHIP Premiums	No details provided	97,979	Petition for Review
18-001-GOF(18)/05/16/2018	Renewal of Driver's License	Robert O. Bendaña	653	
18-004-GOF(18)/10/01/2018	Travelling Expenses	Loreto Jacinto and Editho Berber	28,241	
18-005-GOF(18)/10/01/2018	Travelling Expenses	James Albert Biason and Joemer T. Tendido	6,720	
			841,289	
<u>Ilocos Norte PO</u>				
14-001-106 (2012)/02/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees	720,000	With Petition for Review.
17-001-GOE-(16) 4/17/17	Group Health Insurance Program (GHIP)	NFA Officials and Employees	59,147	Under Appeal
17-002-GOE 12/6/17	Group Health Insurance Program (GHIP)	NFA Officials and Employees	71,442	Under Appeal
			850,589	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Ilocos Sur PO</u>				
14-001-106 (2012)/ 02/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees	580,000	Under Appeal to SC
17-01-GOE(2016) 3/25/17	Group Health Insurance Program (GHIP)	NFA-ISPO Employees	44,072	Under Appeal
17-02-GOE(2016) 3/13/17	Various Unnecessary Expenses incurred in the re-transfer of stocks	Beverlyn P. Peralta and Fortunato B. Bulao	12,734	Under Appeal
17-04-GOE-(17) 12/4/17	2017 Group Health Insurance Program (GHIP)	Beverlyn P. Peralta, et. al	55,794	Under Appeal
17-03-GOE 7/3/2017	Familiarization Allowance	Elizabeth T. Kai	5,600	Petition for Review
			698,200	
<u>Abra PO</u>				
14-001-106 (2012)/ 02/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees	260,000	Under Appeal to SC.
17-01-GOE(2016) 3/13/17	Group Health Insurance Program (GHIP)	NFA-APO Employees	11,182	Under Appeal.
17-02-GOE(2016) 5/18/17	Familiarization Allowance	Ligaya M. Apolinario	5,600	Under Appeal.
17-03-GOE (16) 7/31/17	Payment of Medicine Expenses	Ligaya M. Apolinario, et. al	10,800	Settled but NSSDC was issued on January 2019
17-04-GOE (17) 12/4/17	Group Health Insurance Program (GHIP)	Vera Lew D.G De Vera, et. al	21,316	Under Appeal
			308,898	
<u>Western Pangasinan PO</u>				
2014-001(2012) 2/5/14	2012 FGI	Officers and Employees of Western Pangasinan Provincial Office	760,000	Under Appeal.
2017-001(2016) 3/25/2017	CY2016 GHIP Premiums of Regular Members	Officers and Employees of Western Pangasinan Provincial Office	83,458	Under Appeal.
			843,458	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Eastern Pangasinan PO</u>				
2014-001(2012) 02/4/14	2012 FGI	Officers and Employees of Eastern Pangasinan Provincial Office	800,000	Under Appeal.
2017-001(2016) 3/25/17	CY 2016 GHIP Premiums of Regular Members	Officers and Employees of Eastern Pangasinan Provincial Office	68,518	Under Appeal
			868,518	
			6,280,037	
<u>Region II RO</u>				
2014-01-101(12)/ 04/10/14	Payment of FGI CY 2012	RM, Accountant, Budget Officer and various NFA officials and employees as payees.	643,000	With Petition for Review; With partial settlement of P2,000 in CY 2018.
2018-009(17)/ 5/29/2018	Payment of GHIP premiums	RM, SAS, and other NFA officials and employees as payees.	1,558,253	Under Appeal.
2018-007(17) and 2018-001(18) both dated 5/29/2018	Transportation Allowance	RM Mario M. Gonzales	112,818	Under Appeal.
18-02(2018)/ 8/31/2018	Transportation Allowance	RM Mario M. Gonzales	17,000	
18-08(2017)/ 5/22/2018	Transportation Allowance	Asst. RM Leslie M. Martinez	17,784	No Appeal.
18-03(2017)/ 5/8/2018	Liquidated Damages	MIG Aggregates Const.	60,402	
18-04(2017)/ 5/8/2018	Liquidated Damages	MIG Aggregates Const.	22,678	
			2,431,935	
<u>Isabela PO</u>				
2014-01-101(12)/ 04/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees.	1,583,500	With Petition for Review; With partial settlement of P76,500 in CY 2018.
<u>Nueva Vizcaya PO</u>				
2014-01-101(12)/ 04/10/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as	560,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2018-001/ 11/26/2018	Payment of wages of JO employee	payees. PM, SAS, AO III and Acting POO	6,460	
			566,460	
<u>Quirino PO</u>				
2014-01-101(12)/ 04/10/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	490,000	Filed Motion for Reconsideration with the CP.
2018-01(17)/ 7/30/2018	Forced Leave	Teresita S. Morales	4,735	
2018-02(17)/ 7/30/2018	Forced Leave	Luthgardo M. Sagnip	11,680	
2018-03(17)/ 8/15/2018	Forced Leave	Evelyn C. Molina	8,299	
2018-04(17)/ 8/15/2018	Forced Leave	Encarnacion C. Avila	5,608	
			520,322	
<u>Cagayan PO</u>				
2010-001(04)/ 01/18/10	Understated liquidated damages on the delay incurred by Avery Philippines, Inc. in the completion of its contract	PM, SAS, Plant Engineer, and payee	88,977	With partial settlement of P44,789 in CY 2018.
2014-01-101(12)/ 03/31/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	985,000	Under Appeal.
			1,073,977	
<u>Allacapan PO</u>				
2014-01-101(12)/ 04/1/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	803,000	Under Appeal.
			6,979,194	
<u>Region III</u>				
<u>RO</u>				
2014-001(2012)/ 06/30/14	Payment of FGI CY 2012	RM, Accountant, AO, Cashier and various NFA officials and employees as payees	780,153	Under Appeal.
<u>Nueva Ecija PO</u>				
2014-001(2012)/ 06/30/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as	2,180,000	With Petition for Review before the COA Commission

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
		payees		Proper
16-001-CPF-(15) 7/11/16	Payment procurement palay	for of Various NFA officials and employees	85,151	Under Appeal
16-002-CPF-(15) 7/11/16	Payment procurement palay	for of Various NFA officials and employees	121,686	Under Appeal
16-003-CPF-(15) 7/11/16	Payment procurement palay	for of Various NFA officials and employees	155,228	Under Appeal
<u>Bataan PO</u> ND 2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	Various NFA officials and employees	540,000	Under Appeal.
<u>Zambales PO</u> 2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	Various NFA officials and employees	640,000	Under Appeal.
<u>Tarlac PO</u> 2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	1,040,000	With Decision No. CGS-5-2015-018 denying the appeal. With Petition for Review before the COA CP.
2014-002(2012)/ 07/7/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	1,040,000	-do-
<u>Pampanga PO</u> 2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	820,000	With Decision No. CGS-5-2015-018, denying the appeal. With Petition for Review before the COA CP.
<u>Bulacan PO</u> 2014-001(2-12)/ 06/27/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	1,615,000	Under Appeal.
			9,017,218	
Region IV-A RO				
2011-01-(2010)/ 10/12/11	Payment of FGI CY 2010	RM, Regional Accountant and various NFA officials and employees as payees.	251,655	With partial settlement of P188,845 in CY 2018.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2012-01-(2011)/ 05/7/12	Payment of FGI CY 2011	RM, Regional Accountant and various NFA officials and employees as payees.	760,000	Under Appeal.
2013-01-(2012)/ 04/12/13	Payment of FGI CY 2012	RM, Regional Accountant and various NFA officials and employees as payees.	705,000	With COA Decision No. 2016-437 dated December 12, 2016 which affirmed ND No. 2013-001 (2012). Petition for Review filed by Mr. Tomas R. Escarez was denied per Commission Proper en banc resolution dated October 26, 2017.
			1,716,655	
Batangas PO				
2013-02-(2012)/ 04/12/13	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees.	1,080,000	With Petition for Review before the COA Commission Proper.
2015-001(2010)/ 08/25/15	Payment of FGI CY 2010	Various NFA officials and employees.	1,160,000	-do-
2015-002(2011)/ 08/25/15	Payment of FGI CY 2011	Various NFA officials and employees.	1,160,000	-do-
			3,400,000	
Laguna PO				
2011-001-101 (2009)/ 07/24/11	Payment of FGI CY 2009	PM, Assistant PM and various NFA officials and employees as payees.	680,000	With Petition for Review before the COA Commission Proper.
2011-005-101 (2010)/ 07/24/11	Payment of FGI CY 2010	PM, Assistant PM and various NFA officials and employees as payees.	700,000	-do-
2012-001-101 (2011)/ 07/24/11	Payment of FGI CY 2011	PM, Assistant PM and various NFA officials and employees as payees.	740,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2013-003-101 (2012)/ 08/23/13	Payment of FGI CY 2012	Various NFA officials and employees	760,000	ND affirmed by the COA Commission Proper with pending request for reconsideration.
			2,880,000	
<u>Quezon PO</u>				
11-001(10)/ 08/2/11	Payment of FGI CY 2010	Various NFA officials and employees	620,000	Appeal submitted to COA Region IV-A.
2013-004(2012)/ 08/29/13	Payment of FGI CY 2012	Various NFA officials and employees	640,000	Appeal filed before the CGS Cluster 5 Director.
			1,260,000	
<u>Infanta PO</u>				
2013-005(12)/ 08/29/13	Payment of FGI CY 2012	Various NFA officials and employees	360,000	Under Appeal.
14-001-101(09)/ 09/10/14	Payment of FGI CY 2009	Various NFA officials and employees	400,000	Under Appeal.
14-002-101(10)/ 09/10/14	Payment of FGI CY 2010	Various NFA officials and employees	420,000	Under Appeal.
2005-001 (2008)/ 12/14/15	Payment of FGI CY 2008	Various NFA officials and employees	425,000	Under Appeal
2005-002 (2011)/ 12/15/15	Payment of FGI CY 2011	Various NFA officials and employees	380,000	Under Appeal
			1,985,000	
			11,241,655	
<u>Region IV-B</u>				
<u>Calapan Oriental Mindoro PO</u>				
2010-01 (2008)/ 01/7/10	Payment of FGI CY 2008	Various NFA officials and employees	820,000	Under Appeal.
15-001- GOF (09)/ 10/22/15	Payment of FGI CY 2009	Various NFA officials and employees	695,000	Under Appeal.
15-002- GOF (10)/ 10/22/15	Payment of FGI CY 2010	Various NFA officials and employees	840,000	Under Appeal.
15-001- GOF (11)/ 10/22/15	Payment of FGI CY 2011	Various NFA officials and employees	840,000	Under Appeal.
			3,195,000	
<u>Marinduque PO</u>				
10-001-101-(08)/ 03/2/10	Payment of FGI CY 2008	Various NFA officials and employees	330,000	With Commission Proper (CP) En Banc Notice No. 2018-014 dated Jan. 24, 2018.
10-002-101-(09)/ 03/2/10	Payment of FGI CY 2009	Various NFA officials and employees	290,000	
11-001-101-(10)/	Payment of FGI	Various NFA officials	280,000	With Commission

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
05/25/11	CY 2010	and employees		Proper (CP) En Banc Notice No. 2018-014 dated Jan. 24, 2018.
13-001-(11)/01/9/13	Payment of FGI CY 2011	Various NFA officials and employees	280,000	Under Appeal.
14-001-(12)/02/25/14	Payment of FGI CY 2012	Various NFA officials and employees	315,000	Under Appeal.
			1,495,000	
<u>Occidental Mindoro PO</u>				
2010-01-(2008)/01/7/10	Payment of FGI CY 2008	Various NFA officials and employees	593,810	With settlement of P161,082 in CY 2018. Partial
11-001-GOF(10)/09/12/11	Payment of FGI CY 2010	Various NFA officials and employees	538,810	With settlement of 185,054 in CY 2018. Partial
12-001-GOF(11)/05/29/12	Payment of FGI CY 2011	Various NFA officials and employees	1,175,000	Under Appeal
13-001-GOF(12)/03/22/13	Payment of FGI CY 2012	Various NFA officials and employees	1,210,000	Under Appeal.
15-001-GOF (09)/10/19/15	Payment of FGI CY 2009	Various NFA officials and employees	1,160,000	Under Appeal
			4,677,620	
<u>Mamburao Provincial Office</u>				
11-001-GOF-(10)/10/5/11	Payment of FGI CY 2010	Various NFA officials and employees	800,000	The copy of COA Regional Office Decision No. 2015-01 dated January 27, 2015 was served to management on April 27, 2018. Petition for review was filed.
13-001-GOF-(12)/01/10/13	Payment of FGI CY 2012	Various NFA officials and employees	745,000	Under Appeal.
15-001-GOF (08)/09/15/15	Payment of FGI CY 2008	Various NFA officials and employees	775,000	Under Appeal
15-002-GOF (11)/10/19/15	Payment of FGI CY 2011	Various NFA officials and employees	780,000	Under Appeal
			3,100,000	
<u>Palawan PO</u>				
2012-001 (2011)/01/18/13	Payment of FGI CY 2011	PM, SAS and various NFA officials and employees as payees	680,000	With Appeal dated 5/2/12. Partially settled.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Romblon PO</u>				
09-02-101/ 10/23/09	Payment of FGI	Various NFA officials and employees	375,000	Under Appeal.
12-001 to 016-101-(09)/ 05/11/09	Payment of FGI	Various NFA officials and employees	320,000	Under Appeal.
12-017-101-(10)/ 05/11/12	Payment of FGI	PM, Accountant and various NFA officials and employees as payees	420,000	Under Appeal.
13-001-GOF(12)/ 07/16/13	Payment of FGI	Various NFA officials and employees	420,000	Under Appeal.
			1,535,000	
			14,682,620	
<u>Region V</u>				
<u>RO</u>				
12-002-GOF(10)/ 11/26/2012	Payment for FGI	Various Payees	580,000	Petition for review was affirmed and supplemental ND was issued for NFA Councils who approved the FGI grants.
12-002-GOF(11)/ 11/26/2012	Payment for FGI	Various payees	600,000	
14-001-GOF(12)/ 09/05/2014	Payment for FGI	Advincular, Pure, et.al	605,000	Unsettled as of 12/31/18
<u>Sorsogon PO</u>				
No details provided	No details provided	Various employees	11,086	Payees are no longer connected with NFA.
<u>Camarines Sur PO</u>				
2018-001- 101(2018)/ 9/19/2018	Payment of RATA	Chona E. Brijuega, former PM and Miladee F. Bote, SAS	25,000	Under Appeal.
			1,821,086	
<u>Region VI</u>				
<u>RO</u>				
13-001-GOF (12)/ 01/4/13	Housing allowance	No details provided.	2,000	With COA Region VI Decision No. 2017-077 dated 12/13/2017. Under automatic review with the Commission Proper
13-002-GOF (11)/ 01/4/13	Payment of FGI CY 2011	No details provided.	685,000	Adjusted from P700,000; With COA RO VI

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
				Decision No. 2016-053 dated August 17, 2016 and received by Appellants on August 26, 2016.
13-003-GOF (10)/01/4/13	Payment of FGI CY 2010	No details provided.	690,000	With COA RO VI Decision No. 2016-053 dated August 17, 2016 and received by Appellants on August 26, 2016.
12-004-GOF (12)/11/22/12	Housing allowance	No details provided.	2,500	With COA Region VI Decision No. 2017-077 dated 12/13/2017. Under automatic review with the Commission Proper
			1,379,500	
Iloilo PO				
14-001-GOF- (2011)/09/9/14	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees.	1,460,000	With CGS-5 Decision No. 2015-018 dated Dec. 9, 2015. Decision received by the Appellants on 1/21/16.
				Motion for Reconsideration filed before the Commission Proper on 2/3/2016
14-002-GOF- (2012)/09/09/14	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	1,440,000	-do-
18-001-GOF- (2015/2016)/4/17/2018	Payment for Security Services	No details provided.	7,834,195	
			10,734,195	
Capiz PO				
2018-001-GOF (2015/2016)/05/10/2018	Payment for Security Services	No details provided	3,053,902	
Aklan PO				
2012-001-GOF(10)/06/26/12	Payment of FGI CY 2010	PM, SAS, and various NFA officials and employees as payees	505,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2012-002-GOF(11)/ 06/26/12	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	520,000	Under Appeal.
2014-001-GOF-(12)/ 09/16/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	520,000	Under Appeal.
2018-001- GOF(2015/2016)/ 05/04/2018	Payment for Security Services	No details provided.	1,271,934	
			2,816,934	
<u>Antique PO</u>				
ND No. 11-001-101- (09)/ 06/30/11	Payment of FGI CY 2009	PM, SAS, and various NFA officials and employees as payees	580,000	Under Appeal.
ND No. 11-002-101- (10)/ 06/30/11	Payment of FGI CY 2010	PM, SAS, and various NFA officials and employees as payees	670,000	Under Appeal.
ND No. 12-001-101- (11)/ 12/13/12	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	700,000	Under Appeal.
ND No. 12-002-101- (12)/ 01/7/13	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees.	20,000	Under Appeal.
ND No. 2014-001-GOF- (12)/ 09/16/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	720,000	Under Appeal.
ND No. 2018-001-GOF (2015/2016)/ 06/13/2018	Payment for Security Services	No details provided.	1,948,428	
			4,638,428	
			22,622,959	
<u>Region VII</u>				
<u>RO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	RM, Accountant, AO and various NFA officials and employees as payees.	660,000	Under Appeal.
<u>Cebu PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, AO and various officials and employees as	1,530,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
		payees.		
<u>Siquijor PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, and various officials and employees as payees.	320,000	Under Appeal.
<u>Negros Oriental PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, and various officials and employees as payees.	540,000	Under Appeal.
<u>Bohol PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, and various officials and employees as payees	680,000	Under Appeal.
			3,730,000	
<u>Region VIII RO</u>				
2012-001-GOF(12)/ 11/14/12	No details provided	No details provided	240	Unsettled as of 12/31/18
2012-002-GOF(12)/ 11/14/12	No details provided	No details provided	240	Unsettled as of 12/31/18
2012-002-GOF(11)/ 06/5/12	Payment of FGI	RM and various NFA officials and employees.	665,000	Under Appeal.
2012-001-GOF(10)/ 05/8/12	Payment of FGI	RM and various NFA officials and employees.	610,000	Under Appeal.
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	RM and various NFA officials and employees	680,000	Under Appeal.
2015-10-01(15)/ 10/13/15	No details provided	No details provided	418	Unsettled as of 12/31/18
2015-010-02(15)/ 10/19/15	No details provided	No details provided	800	Unsettled as of 12/31/18
2016-08-007/ 8/31/2016	Payment for construction project	Richmark Construction as payee	253,401	Unsettled as of 12/31/18
2017-05-002	Overpayment of travelling allowance	No details provided	2,240	Unsettled as of 12/31/18
			2,212,339	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Eastern Samar PO</u>				
2012-001(11)/ 03/5/12	Payment of FGI	PM and various NFA officials and employees as payees	470,501	Under Appeal.
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	530,000	Under Appeal.
			1,000,501	
<u>Northern Leyte PO</u>				
2012-001-GOF(10)/ 05/9/12	Payment of FGI	PM and various NFA officials and employees as payees	920,000	Under Appeal.
2012-002-GOF(11)/ 05/11/12	Payment of FGI	PM and various NFA officials and employees as payees	960,000	Under Appeal.
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	995,000	Under Appeal.
2015-01-GOF(15)/ 10/21/15	Drivers license renewal.	Mark D. Hatyna, et. al	518	Unsettled as of 12/31/18
2017-12-003(2017)/ 12/01/2017	Travelling expenses	Cesar Mostaza, et. al	400	Unsettled as of 12/31/18
2017-12-002(2017)/	Travelling expenses	Zaldy C. Tan, et. al	800	Unsettled as of 12/31/18
2017-11-001(2017)/ 11/09/2017	Travelling expenses	Ligaya Maderazo, et. al	1,440	Unsettled as of 12/31/18
			2,878,158	
<u>Southern Leyte PO</u>				
2012-005 to 0032 (11)/ 8/17/12	Payment of FGI	PM and various NFA officials and employees as payees	535,000	Under Appeal.
2013-001-GOF(2012)/ 8/28/13	Payment of FGI	PM and various NFA officials and employees as payees	560,000	Under Appeal.
2016-09-001(2016)/ 9/05/16	Travelling expenses	Lorna S. Ordiz, et. al	1,680	Unsettled as of 12/31/18
2016-09-002(2016)/ 9/05/16	Travelling expenses	Lorna S. Ordiz, et. al	3,520	Unsettled as of 12/31/18

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status		
2016-09-004(2016)/ 9/05/2016	Travelling expenses	Lorna S. Ordiz, et. al	3,640	Unsettled 12/31/18	as	of
2016-09-005/ 9/07/16	Travelling expenses	Schubert Basco, as payee	720	Unsettled 12/31/18	as	of
2016-09-006(2016)/ 9/07/16	Travelling expenses	Rolito Plaza, as payee	3,640	Unsettled 12/31/18	as	of
2016-09-0072016)/ 9/08/16	Travelling expenses	Lorna S. Ordiz, as payee	800	Unsettled 12/31/18	as	of
2016-09-008(2016)/ 9/08/16	Travelling expenses	Mariestela Sedan, as payee	320	Unsettled 12/31/18	as	of
2016-09-010/ 9/30/16	Travelling expenses	Charon Paloma, as payee	160	Unsettled 12/31/18	as	of
2016-10-011/ 10/04/16	Travelling expenses	Lorna S. Ordiz, as payee	400	Unsettled 12/31/18	as	of
2016-10-012/ 10/04/16	Travelling expenses	Lorna S. Ordiz, as payee	640	Unsettled 12/31/18	as	of
2016-10-014/ 10/19/16	Travelling expenses	Charon Paloma, as payee	480	Unsettled 12/31/18	as	of
2016-10-015/ 10/19/16	Travelling expenses	Asuncion Gaviola, as payee	800	Unsettled 12/31/18	as	of
2016-10-016/ 10/25/16	Travelling expenses	Lorna S. Ortiz, as payee	480	Unsettled 12/31/18	as	of
2017-01-001(2016)/ 02/16/2017	Travelling expenses	Lorna S. Ordiz, et al	6,400	Partially settled		
2017-06-005(2016)/ 06/21/2017	Travelling expenses	Lorna S. Ordiz, et al	480	Unsettled 12/31/18	as	of
2017-06-003(2016)/ 06/15/2017	Travelling expenses	Lorna S. Ordiz et al	640	Unsettled 12/31/18	as	of
2017-06-002(2016)/ 06/15/2017	Travelling expenses	Lorna S. Ordiz et. al	320	Unsettled 12/31/18	as	of
2017-06-001(2016)/	Travelling expenses	Lorna S. Ordiz et al	560	Unsettled 12/31/18	as	of
			1,120,680			

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Northern Samar PO</u>				
2012-001-101(10)/ 02/01/12	Payment of FGI	PM and various NFA officials and employees as payees	600,000	Under Appeal.
2012-002-101(11)/ 2/6/12	Payment of FGI	PM and various NFA officials and employees as payees	675,000	Under Appeal
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	680,000	Under Appeal.
ND No.2014-02-GOF(2012)/ 12/29/14	Reimbursement of travelling expenses	Salvador T. Ada, et al	8,547	Under Appeal
ND No.2014-01-GOF-(2012)/ 12/29/14	Reimbursement for expenses incurred during PFAC 4 qtrly meeting	Carolina E. Figueroa et al	6,200	Under Appeal
2015-11-01(2015)/ 11/16/15	Claims of travelling expenses	Luz S. Tan et al	3,180	Under Appeal
2017-03-002(2016)/ 05/29/2017	Overpayment of trucking services	No details	6,069	Unsettled as of 12/31/18
			1,978,996	
<u>Biliran PO</u>				
2012-001-COB(12)/ 05/31/12	Payment of FGI	PM and various NFA officials and employees as payees	405,000	Under Appeal.
2012-002-COB(11)/ 05/31/12	Payment of FGI	PM and various NFA officials and employees as payees	455,000	Under Appeal.
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	440,000	Under Appeal.
	Excessive claims of travelling allowance	Various employees NFA	7,740	Unsettled as of 12/31/18
			1,307,740	
<u>Western Samar PO</u>				
2012-001(11)/ 04/26/12	Payment of FGI	PM and various NFA officials and employees as payees	640,000	Under Appeal

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2013-001-GOF(2012)/ 08/28/13	Payment of FGI	PM and various NFA officials and employees as payees	209,420	Partial settlement of P410,580 as of 12/31/18
			849,420	
			11,347,834	
Region IX				
<u>RO</u>				
No details provided	No details provided	No details provided	3,070,035	Under Appeal
<u>Zamboanga City PO</u>				
No details provided	No details provided	No details provided	898,530	With Partial Settlement of P196,207.22 in CY 2018.
<u>Ipil PO</u>				
15-001-101(13)/ 07/7/15	Payment of FGI	Various NFA officials and employees.	540,000	Unsettled as of 12/31/18
15-002-101(13)/ 07/7/15	Payment of FGI	Various NFA officials and employees.	520,000	Unsettled as of 12/31/18
			1,060,000	
<u>Zamboanga del Norte PO</u>				
12-003-GOE 0912(09)/ 12/29/11	Payment of FGI	Various NFA officials and employees	625,000	With COA RO IX Decision No. 2012- 34 dated 07/9/2012 denying the appeal of the Provincial Manager with dispositive portion stating, "This decision is not final and is subject to automatic review by Commission Proper pursuant to Section 7, Rule V of 2009 RRPC of the Commission on Audit."
12-001-GOE 1012(10)/ 12/21/11	Payment of FGI	Various NFA officials and employees	580,000	-do-
12-002-GOE 1112(11)/ 12/21/11	Payment of FGI	Various NFA officials and employees	640,000	With COA RO IX Decision No. 2012-34 dated 07/9/2012 denying the appeal of the Provincial Manager with dispositive portion

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
				stating "This decision is not final and is subject to automatic review by Commission Proper pursuant to Section 7, Rule V of 2009 RRPC of the Commission on Audit."
			1,845,000	
<u>Zamboanga del Sur PO</u>				
15-001-101(12)/09/29/15	Payment of FGI	Various NFA officials and employees as payees.	620,000	With appeal or motion for reconsideration.
15-002-101(12)/09/29/15	Payment of FGI	Various NFA officials and employees as payees.	240,000	Unsettled as of 12/31/18
			860,000	
			7,733,565	
<u>Region X RO</u>				
14-01-GOF-(2012)/6/30/2014	Payment for FGI	Javier P. Lozada, Samuel A. Natavio and Various Payees	660,000	Unsettled as of 12/31/18
12-002-GOF(10)/4/30/2012	Payment for FGI	Luz Socorro R. Elio, John Robert Hermando, Samuel A. Natavio, and Gil Pepito B. Paqueo	580,000	Under Appeal.
12-001-GOF(11)/4/30/2012	Payment for GHIP	Gil Pepito B. Paqueo, Rolando M. Maravilla, Samuel A. Natavio and Various payees	812,402	Under Appeal.
11-004-GOF(10)/8/17/2011	Director's annual dues matured into disallowance; EME without complete documentation	Samuel A. Natavio and Javier P. Lozada	12,000	
11-002-GOF(10)/7/7/2011	Cost of transportation incurred in the family visit of the RD for the months of Jan-July 2010	Samuel A. Natavio and Javier P. Lozada	49,887	Under Appeal.
11-001-GOF(10)/5/15/2011	EME for CY 2010 exceeded the allowable budget of	Samuel A. Natavio, Antonio R. De la Cruz and Nemio F.	8,983	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
	P94,000	Villanueva		
10-001-GOF(10)/ 10/18/2010	Travelling expenses of the farmers' representative of NFA	Samuel A. Natavio, Javier P. Lozada, Roger V. Navarro, Noel C. Resma and Roderico R. Bioco	20,560	
2,143,832				
<u>Misamis Oriental PO</u>				
14-01-GOF(2012)/ 6/30/2014	Payment for FGI.	John Robert R. Hermano, Joel T. Lim and Various payees.	780,000	Under Appeal.
12-10-001(11)/ 10/5/2012	Payment for FGI.	Sol Conception R. Calingin, Joel T. Lim, John Robert R. Hermano and Various Payees	660,000	Under Appeal.
1,440,000				
<u>Camiguin PO</u>				
16-01-GOF(2011)/ 12/4/2016	Payment for FGI.	Various payees.	269,900	Under Appeal.
13-02-GOF(2012)/ 6/30/2014	Payment for FGI.	Various Payees	280,000	Under Appeal.
549,900				
<u>Bukidnon PO</u>				
14-01-GOF(2012)/ 6/30/2014	Payment for FGI.	Various payees.	1,235,000	Under Appeal.
<u>Lanao del Norte PO</u>				
2012-001/12/10/2012	Payment to New India Assurance Company Limited for GHIP	Sambitory Dimaporo Gregorio Ungab Various Payees	98,872	Appealed denied by RD. For issuance of NFD.
2012-002/12/10/2012	Payment to Asianlife and General Assurance Corp. for GAIP	Sambitory Dimaporo Gregorio Ungab Various Payees	1,680	Under Appeal.
14-01-GOF (2012)/ 06/30/2014	Payment for FGI	Sambitory Dimaporo Gregorio Ungab Various Payees	740,000	Under Appeal.
840,552				
<u>Misamis Occidental</u>				
16-001(16)/ 12/05/2016	Payment of step increment.	Aragasi B. Pasadlan Juliet A. Obeso Glorioso T. Manlegro Kharren A. Retiza Erlyn Marie Socorro A. Olila	7,690	Under Appeal.
16-002(16)/	Payment of step	Aragasi B. Pasadlan	3,737	Under Appeal

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
12/05/2016	increment	Juliet A. Obeso Glorioso T. Manlegro Kharren A. Retiza Erlyn Marie Socorro A. Olila		
16-003(16)/ 12/05/2016	Payment of step increment	Aragasi B. Pasadlan Juliet A. Obeso Glorioso T. Manlegro Kharren A. Retiza Erlyn Marie Socorro A. Olila	6,332	Under Appeal.
16-001(15)/ 03/11/2016	TEV	Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	630	
16-002(15)/ 03/11/2016	TEV	Jeremy M. Caballero Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	630	
16-003(15)/ 02/04/2016	TEV	Judie Ann D. Bongawan Erlyn Marie Socorro L. Olila Kharren A. Retiza Ibarra G. Mariano	3,753	
16-004(15)/ 03/11/2016	TEV	Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	2,401	
16-005(15)/ 03/11/2016	Terminal Leave	Wilma T. Kaamino Luz Socorro R. Elio Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	15,086	
16-006(15)/ 03/11/2016	Terminal Leave	Teddy Sadamas Luz Socorro R. elio Aragasi B. Pasadlan Kharren A. Retiza Erlyn Marie Socorro A. Olila	7,310	
14-01-GOF (2012)/ 06/30/2014	Payment of FGI	Glorioso T. Manlegro, et. a.	580,000	Under Appeal
2011-001-101 (2010)/ 09/19/2011	Payment of FGI	Emery Alice L. Rasonable	20,000	Under Appeal
2011-002-101 (2010)/ 09/19/2011	Payment of FGI	Glorioso T. Manlegro	20,000	Under Appeal
2011-003-101 (2010)/ 09/19/2011	Payment of FGI	Glenda B. Enerio	20,000	Under Appeal
2011-004-101 (2010)/ 09/19/2011	Payment of FGI	Remedios S. Alberca	20,000	Under Appeal

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2011-005-101 (2010)/ 09/19/2011	Payment of FGI	Amancio C. Longayan	20,000	Under Appeal
2011-006-101 (2010)/ 09/19/2011	Payment of FGI	Daikin D. Canano	20,000	Under Appeal
2011-007-101 (2010)/ 09/19/2011	Payment of FGI	Eleuterio R. Maravilas	20,000	Under Appeal
2011-008-101 (2010)/ 09/19/2011	Payment of FGI	Luisa Marie Paulo	20,000	Under Appeal
2011-009-101 (2010)/ 09/19/2011	Payment of FGI	Leonora A. Medina	20,000	Under Appeal
2011-010-101 (2010)/ 09/19/2011	Payment of FGI	Aragasi B. Pasadlan	20,000	Under Appeal
2011-011-101 (2010)/ 09/19/2011	Payment of FGI	Kharren A. Retiza	20,000	Under Appeal
2011-012-101 (2010)/ 09/19/2011	Payment of FGI	Wilma T. Kaamino	20,000	Under Appeal
2011-013-101 (2010)/ 09/19/2011	Payment of FGI	Corina M. Manlegro	20,000	Under Appeal
2011-014-101 (2010)/ 09/19/2011	Payment of FGI	Danilo D. Ponce	20,000	Under Appeal
2011-015-101 (2010)/ 09/19/2011	Payment of FGI	Ellezer M. Neri	20,000	Under Appeal
2011-016-101 (2010)/ 09/19/2011	Payment of FGI	Teddy Sadamas	20,000	Under Appeal
2011-017-101 (2010)/ 09/19/2011	Payment of FGI	Marlon Echavez	20,000	Under Appeal
2011-018-101 (2010)/ 09/19/2011	Payment of FGI	Antonio J. Ochagavia	20,000	Under Appeal
2011-019-101 (2010)/ 09/19/2011	Payment of FGI	Diosdado B. Maquiling	20,000	Under Appeal
2011-020-101 (2010)/ 09/19/2011	Payment of FGI	Judy M. Caguindangan	20,000	Under Appeal
2011-021-101 (2010)/ 09/19/2011	Payment of FGI	Corazon G. Lasaca	20,000	Under Appeal
2011-022-101 (2010)/ 09/19/2011	Payment of FGI	Jose S. Turno	20,000	Under Appeal
2011-023-101 (2010)/ 09/19/2011	Payment of FGI	Erlyn Marie Socorro A. Olila	20,000	Under Appeal
2011-024-101 (2010)/ 09/19/2011	Payment of FGI	Ursula R. Tormis	20,000	Under Appeal
2011-025-101 (2010)/ 09/19/2011	Payment of FGI	Stenile S. Gumisong	20,000	Under Appeal
2011-026-101 (2010)/ 09/19/2011	Payment of FGI	Norma A. Turno	20,000	Under Appeal
			1,147,569	
			7,356,853	

Region XI

RO

2014-001 (2012)/ 09/10/14	Payment of FGI	RM, Accountant, Budget Officer and various NFA officials & employees as payees	580,000	Under Appeal.
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ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Davao City PO</u>				
2014-001(2012)/ 09/11/14	Payment of FGI	PM, Accountant and various NFA officials & employees as payees.	780,000	Under Appeal.
<u>Davao del Sur PO</u>				
2014-001(2012)/ 09/11/14	Payment of FGI	PM, Accountant, AO and various NFA officials & employees as payees.	700,000	Under Appeal.
<u>Davao del Norte PO</u>				
2014-001 (2012)/ 10/13/14	Payment of FGI	Various NFA officials and employees	680,000	Under Appeal.
<u>COMVAL PO</u>				
2014-001 (2012)/ 10/13/14	Payment of FGI	Various NFA officials and employees	340,000	Under Appeal.
<u>Davao Oriental PO</u>				
2014-001(2012)/ 09/10/14	No details	Various NFA officials and employees	580,000	Under Appeal.
<u>General Santos PO</u>				
2014-001 (2012)/ 09/1/14	Payment of FGI	Assistant RM, SAS and various NFA officials & employees	860,000	Unsettled as of 12/31/18
			4,520,000	
<u>Region XII RO</u>				
2014-001-501(2012)/ 04/2/14	Payment of FGI	Assistant RM, Accountant and various NFA officials & employees as payees	660,000	Under Appeal.
<u>Marbel PO</u>				
2014-004-501(2012)/ 04/2/14	Payment of FGI	Assistant RM, PM and various NFA officials & employees as payees	840,000	Under Appeal.
<u>Sultan Kudarat PO</u>				
2014-002-501(2012)/ 4/3/14	Payment of FGI	Assistant RM, PM and various NFA officials & employees as payees	1,440,000	Unsettled as of 12/31/18
<u>North Cotabato PO</u>				
2014-003-501(2012)/ 4/4/14	Payment of FGI	Assistant RM, PM and various NFA officials & employees as payees	960,000	Unsettled as of 12/31/18
			3,900,000	
<u>CARAGA RO</u>				
2014-01(12)/	Payment of FGI	RM, Acting Assistant	500,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
10/1/14		RM, Accountant, and various NFA officials and employees		
<u>Agusan del Norte</u>				
2014-01 (12)/ 02/6/14	Payment of FGI	PM, SAS and various NFA officials and employees as payees	480,000	Under Appeal.
<u>Agusan del Sur</u>				
2012-001/ 04/16/12	Payment of FGI	PM, SAS and various NFA officials and employees as payees.	740,000	Under Appeal.
2014-01(12)/ 02/6/14	Payment of FGI	PM, SAS and various NFA officials and employees as payees	720,000	Under Appeal.
<u>Surigao del Norte</u>				
11-001-GOF(10)/ 06/13/11	Payment of FGI	Eriberto V. Atibagos, et. al	640,000	Under Appeal.
<u>Surigao del Sur</u>				
12-001-111 02GOF(11)/ 04/10/12	Payment of FGI	PM, Acting SAS, AO and various officials and employees as payees.	440,000	With partial settlement of P60,000 in CY 2018.
2014-01(12)/ 02/6/14	Payment of FGI	PM, Acting SAS, AO and various officials and employees as payees.	380,000	With partial settlement of P20,000 in CY 2018.
			3,900,000	
<u>ARMM</u>				
2014-01(2012)/ 12/2/14	No details provided	Various NFA employees	690,800	Unsettled as of 12/31/18
2014-01-(2012)/ 12/2/14	No details provided	Various NFA employees	984,650	Unsettled as of 12/31/18
16-001-101 9/30/16	No details provided	Abdul Hakim B. Balindong, et al.	1,200	Unsettled as of 12/31/18
			1,676,650	
			134,495,343	
			P 196,303,360	

III. Notices of Charge (NCs)

NC No./Date	Nature/Particulars	Persons Liable	Amount	Status
Region III				
<u>Bulacan PO</u>				
09-12-02/ 12/14/09	Unremitted collections on registration and license fees.	Former Registration and Licensing Officer	877,804	With Admin Case No. 10-02-002.
09-12-02(A)/ 12/22/09	Unremitted collections on registration and license fees.	Former Registration and Licensing Officer	864,843	With Admin Case No. 10-02-002.
			1,742,647	
Region IV-A				
<u>Batangas PO</u>				
2000-001-02(99)/ 1/24/2000	Uncollected storage charges	Tower Feeds Corporation	27,055	Partially settled. Demand letters were sent to the other person/s liable.
			P 1,769,702	