

REPUBLIC OF THE PHILIPPINES

**COMMISSION ON AUDIT**  
COMMONWEALTH AVENUE, QUEZON CITY

**CORPORATE GOVERNMENT AUDIT SECTOR**  
**Cluster 5 – Agriculture and Natural Resources**

June 11, 2024

**Ms. BELINDA S. SANCHEZ**  
Administrator/Chief Executive Officer (CEO)  
National Tobacco Administration  
11<sup>th</sup> Floor, The Upper Class Tower  
Quezon Avenue corner Scout Reyes Street  
Brgy. Paligsahan, Quezon City

*Re* 6/11/24  
**REYNALYN A. UDAN**  
OFFICE OF THE ADMINISTRATOR  
RECEIVED

**Dear Administrator/CEO SANCHEZ:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **National Tobacco Administration (NTA)** for the years ended December 31, 2023 and 2022.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following as at and for the years ended December 31, 2023 and 2022, in view of the following:

1. The Revenue–Service and business income–Service income–Supervision and regulation enforcement fees (SREF)–Monitoring fees, Accumulated surplus/(deficit) and Accounts receivable accounts were understated in the amounts of P171.811 million, P192.372 million, and P364.183 million, respectively, due to non-recognition of revenue derived from tobacco importers, exporters and transshippers as a result of the non/improper imposition of monitoring fees from tobacco importers, exporters, and transshippers in the total amounts of P171.811 million in Calendar Year (CY) 2023 and P192.372 million in CY 2022, contrary to Paragraph 19 of International Public Sector Accounting Standard (IPSAS) 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.

2. The Financial liabilities account was overstated by P10.252 million while the Accumulated surplus/(deficit) and Interest expenses accounts were understated by P12.816 million and P2.564 million, respectively, in view of the: (a) accrual of personnel benefits in the total amount of P16.050 million despite the absence of a valid authority from the Governance Commission for Government Owned or Controlled Corporations (GCG) for the grant of Performance-Based Bonus (PBB) to NTA's officials and employees and Performance-Based Incentive (PBI) to its appointive Board of Directors (BOD), contrary to Paragraph 19 of IPSAS 39 – *Employee Benefits* and Paragraphs 5.14 and 5.15 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities; and (b) non-recording of Interest expense amounting to P5.798 million incurred in CY 2023 and incorrect recording of Interest expense amounting to P3.234 million in CY 2022 on the long-term Notes payable to the Philippine Deposit Insurance Corporation (PDIC), contrary to Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.
3. The Receivables-Loans and receivables-Accounts receivable and the Accumulated surplus/(deficit) accounts were understated in the amounts of P7.830 million (net) and P12.533 million, respectively; while the Revenue-Service and business income-Service income-SREF account was overstated by P4.703 million due to: (a) non-recognition of Competitive Enhancement Fees (CEF) and Additional Research and Regulation (R&R) Fees in the total amount of P12.533 million earned in CYs 2019 to 2022, contrary to Paragraph 19 of IPSAS 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*; and (b) non-reversal of Accounts receivable account in the total amount of P4.703 million upon receipt of payments thereon from Cigar/Cigarette Manufacturers (CMs) in CY 2023, contrary to Paragraph 27 of IPSAS 1 – *Presentation of Financial Statements*.

For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

- 1.1. Direct the Regulation Department to:
  - a. In coordination with the Legal Officer, provide the Audit Team with the legal bases/criteria for exempting selected tobacco companies from paying the NTA monitoring fees, otherwise, compute and impose the proper monitoring fees retroactively from the period when these tobacco companies were no longer charged with monitoring fees up to present;
  - b. Coordinate with the Finance Department for the recording and billing of the monitoring fees that were not imposed/improperly imposed for CY 2023 and prior years; and
  - c. Strictly adhere to existing rules and regulations, particularly the MCs issued by the NTA, on the imposition of the monitoring fees and other regulatory fees on the importation, exportation, and/or transshipment of manufactured and unmanufactured tobacco products and other related materials;

- 1.2. Require the Accounting Division to prepare the necessary adjusting entries to: (a) recognize the unrecorded monitoring fees; and (b) correct the recorded amount of monitoring fees that were improperly imposed on tobacco importers, exporters, and/or transshippers, to fairly present the accounts affected in the financial statements as at and for the years ended December 31, 2023 and prior years; and
- 1.3. Instruct the Regulation Department and Finance Department to formulate a process/internal control where the completeness and correctness of fees imposed by the Regulation Department will be checked by the Finance Department - Accounting Division, to establish proper checks and balances.
- 2.1. Require the Accounting Division to effect the necessary adjusting entries to correct the misstatements on the accounts affected in the recording of the: (a) liabilities for the grant of the PBB to the officers and employees in the amount of P11.819 million, as well as, PBI for the appointive BOD in the amount of P4.231 million for Fiscal Years (FYs) 2021 and 2022 or the aggregate amount of P16.050 million; and (b) Interest expense in the amount of P3.234 million incurred in CY 2022 but recorded in CY 2023; and
- 2.2. Instruct the Accounting Division to recognize the interest incurred in CY 2023 but billed in CY 2024 on the notes payable to the PDIC amounting to P5.798 million pending the approval of the NTA's request for the restructuring of the loan and lowering of interest and condonation of penalty charges.
- 3.1. Instruct the Accounting Division to:
  - a. Prepare the necessary adjusting entries to: (i) recognize the unrecorded CEF and additional R&R fees; and (ii) correct the double recording of CEF paid by CMs in CY 2023 in the total amount of P4.703 million, to fairly present the accounts affected in the financial statements as at and for the year ended December 31, 2023;
  - b. Perform regular reconciliation with the Regulation Department on the CEF and Additional R&R Fees billed and collected to the CMs and update the books of accounts;
  - c. Coordinate with the CMs and Government Corporation concerned for the reconciliation of the variances noted between the balances per books and amounts confirmed and prepare the necessary adjustment, if warranted; and
  - d. Observe strictly the accrual basis of accounting prescribed under Paragraph 7 of IPSAS 1.

The other significant audit observation and the corresponding recommendation that need immediate action are as follows:

4. Two (2) Special Projects (SPs) of the NTA, the Kadiwa ni Ani at Kita and Tobacco Dust Production Agribusiness Project (TDPAP), have been incurring net losses which had already accumulated in the total amounts of P169.442 million

(Name of the Agency and Address)

**AGENCY ACTION PLAN and  
STATUS OF IMPLEMENTATION  
Audit Observations and Recommendations  
For the Calendar Year 20XX  
As of \_\_\_\_\_**

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date				
					From	To			

**Agency sign-off:**

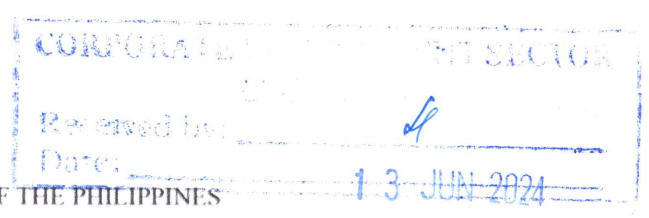
\_\_\_\_\_  
Name and Position of Agency Officer

\_\_\_\_\_  
Date

Note: Status of Implementation may either be (a) Implemented and (b) Not Implemented



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
COMMONWEALTH AVENUE, QUEZON CITY



**CORPORATE GOVERNMENT AUDIT SECTOR**  
**Cluster 5 – Agriculture and Natural Resources**

June 11, 2024

**THE BOARD OF DIRECTORS**  
National Tobacco Administration  
11<sup>th</sup> Floor, The Upper Class Tower  
Quezon Avenue corner Scout Reyes Street  
Brgy. Paligsahan, Quezon City

RECEIVED BY:  
[signature]  
GORGONIO ORBISAN III  
6/11/2024

**GENTLEMEN / MESDAMES:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **National Tobacco Administration (NTA)** for the years ended December 31, 2023 and 2022.

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For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

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  - b. Coordinate with the Finance Department for the recording and billing of the monitoring fees that were not imposed/improperly imposed for CY 2023 and prior years; and
  - c. Strictly adhere to existing rules and regulations, particularly the MCs issued by the NTA, on the imposition of the monitoring fees and other regulatory fees on the importation, exportation, and/or transshipment of manufactured and unmanufactured tobacco products and other related materials;

- 1.2. Require the Accounting Division to prepare the necessary adjusting entries to: (a) recognize the unrecorded monitoring fees; and (b) correct the recorded amount of monitoring fees that were improperly imposed on tobacco importers, exporters, and/or transshippers, to fairly present the accounts affected in the financial statements as at and for the years ended December 31, 2023 and prior years; and
- 1.3. Instruct the Regulation Department and Finance Department to formulate a process/internal control where the completeness and correctness of fees imposed by the Regulation Department will be checked by the Finance Department - Accounting Division, to establish proper checks and balances.
- 2.1. Require the Accounting Division to effect the necessary adjusting entries to correct the misstatements on the accounts affected in the recording of the: (a) liabilities for the grant of the PBB to the officers and employees in the amount of P11.819 million, as well as, PBI for the appointive BOD in the amount of P4.231 million for Fiscal Years (FYs) 2021 and 2022 or the aggregate amount of P16.050 million; and (b) Interest expense in the amount of P3.234 million incurred in CY 2022 but recorded in CY 2023; and
- 2.2. Instruct the Accounting Division to recognize the interest incurred in CY 2023 but billed in CY 2024 on the notes payable to the PDIC amounting to P5.798 million pending the approval of the NTA's request for the restructuring of the loan and lowering of interest and condonation of penalty charges.
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  - d. Observe strictly the accrual basis of accounting prescribed under Paragraph 7 of IPSAS 1.

The other significant audit observation and the corresponding recommendation that need immediate action are as follows:

4. Two (2) Special Projects (SPs) of the NTA, the Kadiwa ni Ani at Kita and Tobacco Dust Production Agribusiness Project (TDPAP), have been incurring net losses which had already accumulated in the total amounts of P169.442 million

(CYs 2013 to 2023) and P51.974 million (CYs 2009 to 2023), respectively, due to, among others, poor planning and execution of the projects, resulting in the non-attainment of the objectives and purposes of the NTA, specifically to improve the economic and living conditions and to raise the quality life of tobacco farmers and tobacco growing communities. Moreover, the low turnover of finished products inventory of the TDPAP due to competitors' low prices and non-implementation of marketing strategies added to the net losses of the Project.

- 4.1. We reiterated our previous years' recommendation that top Management develop alternative business options for the two (2) SPs, in the event that NTA will no longer pursue their operations, such as offer for lease or disposal to prevent further losses and wastage of government resources.

The observations together with the recommended courses of action which were discussed by the Audit Team with the Management officials and staff concerned during the exit conference conducted on May 15, 2024, are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented audit recommendations embodied in Part III of the Report.

In our transmittal letter of even date, we request the Administrator/Chief Executive Officer of the NTA to implement the recommendations contained in the Report and to inform this Commission of the actions taken thereon within 60 days from receipt of the Report.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the Report.

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**MAY LINDA M. VEGAFRIA**  
Director IV  
Cluster Director

***Copy furnished:***

*The President of the Republic of the Philippines*  
*The Vice President*  
*The President of the Senate*  
*The Speaker of the House of Representatives*  
*The Chairperson – Senate Finance Committee*  
*The Chairperson – Appropriations Committee*  
*The Secretary of the Department of Budget and Management*  
*The Bureau of the Treasury*  
*The Governance Commission for Government-Owned or Controlled Corporations*  
*The National Library*  
*The UP Law Center*





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

# **ANNUAL AUDIT REPORT**

**on the**

**NATIONAL TOBACCO ADMINISTRATION  
(NTA)**

**For the Years Ended December 31, 2023 and 2022**

## EXECUTIVE SUMMARY

### INTRODUCTION

The National Tobacco Administration (NTA or Agency) is a non-stock government-owned and controlled corporation with business address at 11<sup>th</sup> Floor, The Upper Class Tower, Quezon Avenue corner Scout Reyes Street, Brgy. Paligsahan, Quezon City. It is an attached Agency of the Department of Agriculture operating under the administration of Administrator/Chief Executive Officer Belinda S. Sanchez, the Head of the Agency. It was created under Executive Order (EO) No. 116 dated January 30, 1987, which was implemented by EO No. 245 dated July 24, 1987. Under EO No. 116, eight (8) tobacco agencies were merged into the NTA, namely, the Philippine Tobacco Administration; Philippine Virginia Tobacco Administration; Philippine Tobacco Board; Philippine Virginia Tobacco Board; Philippine Tobacco Research and Training Center; Virginia Tobacco Fuel Wood Corporation; Virginia Flue-Curing Board; and National Tobacco Classification Council.

The NTA, as a sole tobacco Agency in the Philippines, is mandated to: (a) improve the economic and living conditions and raise the quality of life of the tobacco farmers, including those who depend upon the industry for their livelihood; and (b) promote the balanced and integrated growth and development of the industry and help make agriculture a solid base for massive industrialization. The Agency also administers and regulates the tobacco industry of the Philippines.

The Governing Board, composed of eight (8) members, serves as the policy-making body of the Agency. The NTA has eight (8) Provincial Branch Offices (PBOs), five (5) are located in Region I, two (2) are in Region II, and one (1) is in the Cordillera Administrative Region. It has two Special Projects, namely the Kadiwa ni Ani at Kita and the Tobacco Dust Production Agribusiness Project (TDPAP).

As of December 31, 2023, the NTA's personnel complement consists of 281 regular employees and 153 Job Order workers, or a total of 434, broken down as follows:

	Regular	Job Order	Total
Central Office	81	36	117
PBOs/Department			
Abra	12	13	25
Cagayan	14	7	21
Candon	42	13	55
Ilocos Norte	23	16	39
Isabela	17	14	31
La Union	33	10	43
Pangasinan	22	6	28
Vigan	22	11	33
Farm Technology and Services Department	15	16	31
	200	106	306
Special Projects			
Kadiwa ni Ani at Kita	-	5	5
TDPAP	-	6	6
	-	11	11
	<b>281</b>	<b>153</b>	<b>434</b>

## FINANCIAL HIGHLIGHTS (In Philippine Peso)

### I. Comparative Financial Position

	2023	2022 As restated	Increase/ (Decrease)
Total assets	1,918,856,884	1,870,469,522	48,387,362
Total liabilities	558,514,680	381,785,577	176,729,103
<b>Net assets/equity</b>	<b>1,360,342,204</b>	<b>1,488,683,945</b>	<b>(128,341,741)</b>

### II. Comparative Financial Performance

	2023	2022 As restated	Increase/ (Decrease)
Total revenues	146,082,390	146,152,531	(70,141)
Total current operating expenses	734,246,575	779,317,692	(45,071,117)
Deficit from current operations	(588,164,185)	(633,165,161)	(45,000,976)
Other non-operating income, net	986,296	817,914	168,382
Assistance and subsidy	550,504,000	604,502,280	(53,998,280)
<b>Net deficit for the period</b>	<b>(36,673,889)</b>	<b>(27,844,967)</b>	<b>8,828,922</b>

### III. Comparison of Budget and Actual Amounts

	Budget	Actual	Difference
Personnel services	354,900,000	237,555,381	117,344,619
Maintenance and other operating expenses	407,510,000	364,475,507	43,034,493
Investment outlay	202,829,000	216,963,199	(14,134,199)
Capital outlay	207,555,000	8,645,304	198,909,696
Financial expenses	-	3,282,533	(3,282,533)
Accounts payable	-	89,194,090	(89,194,090)
	<b>1,172,794,000</b>	<b>920,116,014</b>	<b>252,677,986</b>

## SCOPE OF AUDIT

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

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements as at and for the years ended December 31, 2023 and 2022, in view of the following:

1. The Revenue–Service and business income–Service income–Supervision and regulation enforcement fees (SREF)–Monitoring fees, Accumulated surplus/(deficit) and Accounts receivable accounts were understated in the

amounts of P171.811 million, P192.372 million, and P364.183 million, respectively, due to non-recognition of revenue derived from tobacco importers, exporters and transshippers as a result of the non/improper imposition of monitoring fees from tobacco importers, exporters, and transshippers in the total amounts of P171.811 million in Calendar Year (CY) 2023 and P192.372 million in CY 2022, contrary to Paragraph 19 of International Public Sector Accounting Standard (IPSAS) 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.

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- b. Coordinate with the Finance Department for the recording and billing of the monitoring fees that were not imposed/improperly imposed for CY 2023 and prior years; and
  - c. Strictly adhere to existing rules and regulations, particularly the MCs issued by the NTA, on the imposition of the monitoring fees and other regulatory fees on the importation, exportation, and/or transshipment of manufactured and unmanufactured tobacco products and other related materials;
- 1.2. Require the Accounting Division to prepare the necessary adjusting entries to: (a) recognize the unrecorded monitoring fees; and (b) correct the recorded amount of monitoring fees that were improperly imposed on tobacco importers, exporters, and/or transshippers, to fairly present the accounts affected in the financial statements as at and for the years ended December 31, 2023 and prior years; and
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- d. Observe strictly the accrual basis of accounting prescribed under Paragraph 7 of IPSAS 1.

The other significant audit observation and the corresponding recommendation that need immediate action are as follows:

4. Two (2) Special Projects of the NTA, the Kadiwa ni Ani at Kita and TDPAP, have been incurring net losses which had already accumulated in the total amounts of P169.442 million (CYs 2013 to 2023) and P51.974 million (CYs 2009 to 2023), respectively, due to, among others, poor planning and execution of the projects, resulting in the non-attainment of the objectives and purposes of the NTA, specifically to improve the economic and living conditions and to raise the quality life of tobacco farmers and tobacco growing communities. Moreover, the low turnover of finished products inventory of the TDPAP due to competitors' low prices and non-implementation of marketing strategies added to the net losses of the Project.
  - 4.1. We reiterated our previous years' recommendation that top Management develop alternative business options for the two (2) Special Projects, in the event that NTA will no longer pursue their operations, such as offer for lease or disposal to prevent further losses and wastage of government resources.

#### **SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2023, total unsettled audit disallowances and charge amounted to P24.745 million and P3,047, respectively. The details and status are presented in Part IV, **Annex A** of this Report. There was no Notice of Suspension issued in CY 2023.

#### **STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 39 audit recommendations embodied in the prior years' Annual Audit Reports, 14 were implemented and 25 were not implemented. The details of the prior years' audit recommendations are presented in Part III of this Report.

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## **PART I - AUDITED FINANCIAL STATEMENTS**





REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
COMMONWEALTH AVENUE, QUEZON CITY

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

National Tobacco Administration  
11<sup>th</sup> Floor, The Upper Class Tower  
Quezon Avenue corner Scout Reyes Street  
Brgy. Paligsahan, Quezon City

### **Report on the Audit of the Financial Statements**

#### ***Qualified Opinion***

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

In our opinion, except for the effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the **NTA**, as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

#### ***Bases for Qualified Opinion***

The Revenue–Service and business income–Service income–Supervision and regulation enforcement fees (SREF)–Monitoring fees, Accumulated surplus/(deficit) and Accounts receivable accounts were understated in the amounts of P171.811 million, P192.372 million, and P364.183 million, respectively, due to non-recognition of revenue derived from tobacco importers, exporters and transshippers as a result of the non/improper imposition of monitoring fees from tobacco importers, exporters, and transshippers in the total amounts of P171.811 million in Calendar Year (CY) 2023 and P192.372 million in CY 2022, contrary to Paragraph 19 of IPSAS 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.

Likewise, the Financial liabilities account was overstated by P10.252 million while the Accumulated surplus/(deficit) and Interest expenses accounts were understated by P12.816 million and P2.564 million, respectively, in view of the: (a) accrual of personnel benefits in the total amount of P16.050 million despite the absence of a valid authority from the Governance Commission for Government Owned or Controlled Corporations for the grant of Performance-Based Bonus to NTA's officials and employees and Performance-Based Incentive to its appointive Board of Directors, contrary to Paragraph 19 of IPSAS 39 – *Employee Benefits* and Paragraphs 5.14 and 5.15 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities; and (b) non-recording of Interest expense amounting to P5.798 million incurred in CY 2023 and incorrect recording of Interest expense amounting to P3.234 million in CY 2022 on the long-term Notes payable to the Philippine Deposit Insurance Corporation, contrary to Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.

Moreover, the Receivables-Loans and receivables-Accounts receivable and the Accumulated surplus/(deficit) accounts were understated in the amounts of P7.830 million (net) and P12.533 million, respectively; while the Revenue-Service and business income-Service income-SREF account was overstated by P4.703 million due to: (a) non-recognition of Competitive Enhancement Fees and Additional Research and Regulation Fees in the total amount of P12.533 million earned in CYs 2019 to 2022, contrary to Paragraph 19 of IPSAS 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*; and (b) non-reversal of Accounts receivable account in the total amount of P4.703 million upon receipt of payments thereon from Cigar/Cigarette Manufacturers in CY 2023, contrary to Paragraph 27 of IPSAS 1 – *Presentation of Financial Statements*.

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

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

Management is responsible for the preparation of the financial statements in accordance with IPSASs, and for such internal control as Management determined 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 NTA'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 NTA or to cease operations, or has no alternative but to do so.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NTA'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 NTA'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 NTA 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 communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

## **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of Management of the NTA.

### **COMMISSION ON AUDIT**

  
**GAY M. MADELO**  
State Auditor V  
Supervising Auditor  
Audit Group D – PFDA/NDA/NTA  
Cluster 5 – Agriculture and Natural Resources  
Corporate Government Audit Sector

May 27, 2024



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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


The Board of Directors is responsible for overseeing the NTA's financial reporting process.


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

The Commission on Audit, through its authorized representative, has examined the financial statements of the NTA 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 Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**FRANCISCO P. TIU LAUREL JR.**  
Secretary, Department of Agriculture  
Chairman, NTA Governing Board

  
**BELINDA S. SANCHEZ**  
Administrator/CEO

  
**REYNALDO R. AQUINO**  
OIC, Finance Department

  
**MILAGROS C. TIU**  
Chief, Accounting Division

Signed this 6th of May 2024



**NATIONAL TOBACCO ADMINISTRATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at December 31, 2023 and 2022**  
*(In Philippine Peso)*

	Note	2023	2022 As restated
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	531,375,145	409,699,141
Receivables - net	6	787,192,216	806,112,636
Intra-agency receivables	7	-	547,927
Inventories	8	37,859,062	68,342,751
Other assets	13.1	108,660,093	107,999,168
<b>Total current assets</b>		<b>1,465,086,516</b>	<b>1,392,701,623</b>
<b>Non-current assets</b>			
Investments - net	9	1,122,433	1,122,433
Investment property - net	10	52,556,018	53,052,973
Property, plant and equipment - net	11	397,957,250	421,595,071
Intangible assets - net	12	1,050,955	1,050,955
Other assets - net	13.2	1,083,712	946,467
<b>Total non-current assets</b>		<b>453,770,368</b>	<b>477,767,899</b>
<b>TOTAL ASSETS</b>		<b>1,918,856,884</b>	<b>1,870,469,522</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	14	293,119,431	113,679,685
Inter-agency payables	15	6,364,959	7,089,225
Trust liabilities	16	6,300	6,300
Deferred credits/unearned revenue/income	17	12,198,644	-
Other payables	18	28,239,489	36,754,448
<b>Total current liabilities</b>		<b>339,928,823</b>	<b>157,529,658</b>
<b>Non-current liabilities</b>			
Financial liabilities	14	78,729,152	78,729,152
Provisions	19	139,856,705	145,526,767
<b>Total non-current liabilities</b>		<b>218,585,857</b>	<b>224,255,919</b>
<b>TOTAL LIABILITIES</b>		<b>558,514,680</b>	<b>381,785,577</b>
<b>NET ASSETS (Total Assets less Total Liabilities)</b>		<b>1,360,342,204</b>	<b>1,488,683,945</b>
<b>NET ASSETS/EQUITY</b>			
Government equity	31	411,647,662	411,507,110
Accumulated surplus/(deficit)	32	948,694,542	1,077,176,835
<b>TOTAL NET ASSETS/EQUITY</b>		<b>1,360,342,204</b>	<b>1,488,683,945</b>

*The notes on pages 11 to 60 form part of these financial statements.*

**NATIONAL TOBACCO ADMINISTRATION**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
For the Years Ended December 31, 2023 and 2022  
*(In Philippine Peso)*

	Note	2023	2022 As restated
<b>Revenue</b>			
Service and business income	20	146,082,390	146,152,531
<b>Total revenue</b>		<b>146,082,390</b>	<b>146,152,531</b>
<b>Current operating expenses</b>			
Personnel services	21	237,555,381	237,030,155
Maintenance and other operating expenses	22	364,475,507	382,327,235
Non-cash expenses	23	128,779,424	159,735,454
Direct costs	24	153,730	220,185
Financial expenses	25	3,282,533	4,663
<b>Total current operating expenses</b>		<b>734,246,575</b>	<b>779,317,692</b>
<b>Deficit from current operations</b>		<b>(588,164,185)</b>	<b>(633,165,161)</b>
Other non-operating income	26	1,591,588	1,906,816
Gains	27.1	-	610,450
Losses	27.2	(605,292)	(1,699,352)
<b>Deficit before tax</b>		<b>(587,177,889)</b>	<b>(632,347,247)</b>
Income tax expense/(benefit)		-	-
<b>Deficit after tax</b>		<b>(587,177,889)</b>	<b>(632,347,247)</b>
Assistance and subsidy	28	550,504,000	604,502,280
<b>NET DEFICIT FOR THE PERIOD</b>		<b>(36,673,889)</b>	<b>(27,844,967)</b>

*The notes on pages 11 to 60 form part of these financial statements.*

**NATIONAL TOBACCO ADMINISTRATION**  
**STATEMENTS OF CHANGES IN NET ASSETS/EQUITY**  
**For the Years Ended December 31, 2023 and 2022**  
*(In Philippine Peso)*

	Note	Government equity 31	Accumulated surplus/(deficit) 32	Total
<b>Balance at January 1, 2022, as restated</b>		<b>411,329,790</b>	<b>1,079,245,495</b>	<b>1,490,575,285</b>
Changes in equity for CY 2022				
Add/(Deduct):				
Deficit for the period, as restated		-	(27,844,967)	(27,844,967)
Additions during the year		177,320	-	177,320
Adjustments due to prior period errors	32.1	-	25,776,307	25,776,307
<b>BALANCE AS AT DECEMBER 31, 2022, AS RESTATED</b>		<b>411,507,110</b>	<b>1,077,176,835</b>	<b>1,488,683,945</b>
Changes in equity for CY 2023				
Add/(Deduct):				
Deficit for the period		-	(36,673,889)	(36,673,889)
Additions during the year		140,552	-	140,552
Adjustments due to prior period errors	32.1	-	(91,808,404)	(91,808,404)
<b>BALANCE AS AT DECEMBER 31, 2023</b>		<b>411,647,662</b>	<b>948,694,542</b>	<b>1,360,342,204</b>

*The notes on pages 11 to 60 form part of these financial statements.*



**NATIONAL TOBACCO ADMINISTRATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2023 and 2022**  
*(In Philippine Peso)*

	Note	2023	2022 As restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash inflows			
Receipt of intra-agency fund transfers		782,872,947	696,168,691
Subsidy from National Government		550,504,000	555,494,000
Collection of production/facility assistance		172,440,830	179,361,668
Collection of revenue		119,403,150	117,016,390
Trust receipts		51,570,064	51,665,970
Receipt of inter-agency fund transfers		46,685,549	49,008,280
Collection of receivables		6,857,004	20,304,731
Proceeds from sale of goods and services		15,222	-
Refund of cash advances		-	2,805,048
Other receipts		7,010,645	-
<b>Total cash inflows</b>		<b>1,737,359,411</b>	<b>1,671,824,778</b>
Cash outflows			
Release of intra-agency fund transfers		795,106,301	885,477,850
Payment of expenses		349,268,766	406,324,964
Facility/production assistance		216,963,199	159,840,888
Purchase of inventories		118,479,170	3,818,047
Remittance of personnel benefit contributions and mandatory contributions		78,000,558	83,825,543
Payment of payables		26,668,501	49,242,485
Grant of cash advances		16,322,818	38,140,768
Prepayments		3,489,484	9,182,745
Refund of deposits		1,903,349	-
Other disbursements		838,257	13,701
<b>Total cash outflows</b>		<b>1,607,040,403</b>	<b>1,635,866,991</b>
<b>Net cash provided by operating activities</b>	29	<b>130,319,008</b>	<b>35,957,787</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash inflow			
Proceeds from disposal of properties		2,300	77,525
<b>Total cash inflow</b>		<b>2,300</b>	<b>77,525</b>
Cash outflow			
Acquisition of property, plant and equipment		8,645,304	10,107,975
<b>Total cash outflow</b>		<b>8,645,304</b>	<b>10,107,975</b>
<b>Net cash used in investing activities</b>		<b>(8,643,004)</b>	<b>(10,030,450)</b>
<b>Increase in cash and cash equivalents</b>		<b>121,676,004</b>	<b>25,927,337</b>
Cash and cash equivalents, January 1		409,699,141	383,771,804
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	5	<b>531,375,145</b>	<b>409,699,141</b>

*The notes on pages 11 to 60 form part of these financial statements.*

**NATIONAL TOBACCO ADMINISTRATION**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**For the Year Ended December 31, 2023**  
*(In Philippine Peso)*

	Budget Amounts		Actual amounts	Difference Final budget and actual
	Original	Final		
<b>Receipts</b>				
Cash and cash equivalents	411,648,000	411,648,000	409,699,141	1,948,859
Collection of receivables	193,667,000	193,667,000	179,297,834	14,369,166
Assistance and subsidy	550,504,000	550,504,000	550,504,000	-
Service and business income	145,810,000	145,810,000	146,082,390	(272,390)
Other non-operating income	-	-	1,591,588	(1,591,588)
	<b>1,301,629,000</b>	<b>1,301,629,000</b>	<b>1,287,174,953</b>	<b>14,454,047</b>
<b>Payments</b>				
Personnel services	354,900,000	354,900,000	237,555,381	117,344,619
Maintenance and other operating expenses	459,240,000	407,510,000	364,475,507	43,034,493
Capital outlay	284,451,000	207,555,000	8,645,304	198,909,696
Financial expenses	-	-	3,282,533	(3,282,533)
Investment outlay	202,829,000	202,829,000	216,963,199	(14,134,199)
Accounts payable	-	-	89,194,090	(89,194,090)
	<b>1,301,420,000</b>	<b>1,172,794,000</b>	<b>920,116,014</b>	<b>252,677,986</b>
<b>NET PAYMENTS</b>	<b>209,000</b>	<b>128,835,000</b>	<b>367,058,939</b>	<b>(238,223,939)</b>

*The notes on pages 11 to 60 form part of these financial statements.*

**NATIONAL TOBACCO ADMINISTRATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2023 and 2022  
*(All amounts in Philippine Peso)*

**1. CORPORATE INFORMATION**

The National Tobacco Administration (NTA or Agency) is a non-stock government-owned and controlled corporation (GOCC) created under Executive Order (EO) No. 116 dated January 30, 1987, which was implemented by EO No. 245 dated July 24, 1987. The NTA's temporary office is located at 11<sup>th</sup> Floor, The Upper Class Tower, Quezon Avenue corner Scout Reyes Street, Brgy. Paligsahan, Quezon City, due to the reconstruction of the NTA old building.

Under EO No. 116, eight (8) tobacco agencies were merged to the NTA, namely, Philippine Tobacco Administration (PTA); Philippine Tobacco Board (PTB); Philippine Virginia Tobacco Administration (PVTA); Philippine Virginia Tobacco Board (PVTB); Philippine Tobacco Research and Training Center (PTRTC); Virginia Tobacco Fuel Wood Corporation (VTFWC); Virginia Flue-Curing Board (VFCB); and National Tobacco Classification Council (NTCC).

The NTA is attached to the Department of Agriculture (DA). It is headed by the Administrator/Chief Executive Officer (CEO) and assisted by two Deputy Administrators. The NTA Governing Board, composed of eight (8) members, serves as the policy-making body of the Agency. The NTA has eight (8) Provincial Branch Offices (PBOs): five (5) are located in Region I, two (2) are in Region II, and one (1) is in the Cordillera Administrative Region (CAR) and, two (2) Special Projects (SPs), namely, the Kadiwa ni Ani at Kita and the Tobacco Dust Production Agribusiness Project (TDPAP).

Under its Charter, the NTA, as the sole tobacco Agency in the Philippines, was given two mandates, namely:

- a. Improve the economic and living conditions and raise the quality of life of the tobacco farmers, including those who depend upon the industry for their livelihood; and
- b. Promote the balanced and integrated growth and development of the tobacco industry to help make agriculture a solid base for industrialization.

In addition, Section 33 of Republic Act (RA) No. 9211, entitled, Tobacco Regulation Act of 2003, mandates the NTA to implement the following programs and projects:

- a. Tobacco Growers Assistance Program to support financially the NTA-registered tobacco farmers who may be displaced due to the implementation of the said RA or have voluntarily ceased planting tobacco;
- b. Tobacco Growers Cooperative Program to assist tobacco farmers in developing alternative farming systems, plant alternative crops and other livelihood projects;

- c. National Tobacco Free Public Education Program to provide scholarships for the dependents of tobacco farmers in collaboration with state universities and colleges; and
- d. Research and Development Program to undertake studies concerning technologies and methods to reduce the risk of dependence on or injury from tobacco product usage and exposure as well as the development of alternative uses of tobacco and similar research programs.

To effectively pursue the aforementioned mandates, the NTA has been entrusted with the following powers and functions, to:

- a. Promulgate and enforce rules and regulations on the production, standardization, classification, grading and trading of tobacco products as may be necessary to attain its purposes and objectives;
- b. Conduct agricultural and industrial research and establish, operate and maintain research stations;
- c. Accept and receive financial and other support from private and other sources for the development and promotion of the Philippine tobacco industry;
- d. Provide incentives and other financial assistance to tobacco growers and associations, directly or in conjunction with accredited financial institutions; and
- e. Impose administrative sanctions for violations of the rules and regulations issued by the NTA.

The NTA fulfills its mandates through its operations as it envisions the following:

#### Vision

*By 2028, a resilient NTA resulting in progressive and empowered tobacco farmers and other industry stakeholders.*

#### Mission

*Provide excellent service to enrich the lives of Tobacco Farmers and other industry stakeholders through meaningful programs that improve productivity and promote global competitiveness.*

The financial statements of the NTA were approved and authorized for issue by the NTA Governing Board on May 6, 2024.

## **2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS**

### **2.1. Statement of Compliance with International Public Sector Accounting Standards (IPSASs)**

The financial statements have been prepared in compliance with IPSASs, formerly Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the COA under COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-001 dated January 9, 2020.

These IPSASs were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board. Under COA Resolution No. 2017-006 dated April 26, 2017, additional six (6) IPSASs and updates on the IPSASs, prescribed for adoption through COA Resolution No. 2014-003 in accordance with the 2016 HIPSAP, were adopted.

Further, the COA issued COA Resolution No. 2021-018 dated July 21, 2021, updating the adopted IPSASs based on the 2019 Edition of the HIPSAP. COA Resolution No. 2021-019 dated July 21, 2021 provides for the adoption of four (4) additional IPSASs contained in the 2019 Edition of the HIPSAP published by the International Federation of Accountants (IFAC). Another IPSAS adopted through COA Resolution No. 2021-019 dated July 21, 2021 is IPSAS 18-*Segment Reporting*, with an objective of establishing principles for reporting financial information by segments. Relative thereto, COA issued COA Circular No. 2023-007 dated August 9, 2023 to provide guidelines on the implementation of IPSAS 18-*Segment Reporting*.

The NTA adopted the IPSASs on January 1, 2016. The accounting policies have been consistently applied throughout the year presented.

### **2.2. Presentation of Financial Statements**

The NTA's financial statements are prepared based on historical cost, unless stated otherwise. The Statements of Cash Flows are prepared using the direct method. The accounts are classified in conformity with the Updated Revised Chart of Accounts for Government Corporations (2019) prescribed under COA Circular No. 2020-002 dated January 28, 2020.

The financial statements of the NTA are presented in Philippine Peso, while the functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The IPSASs adopted by the NTA require the use of accounting estimates and the exercise of judgment in applying the accounting policies. The areas where significant judgments have been made are disclosed in *Note 3.15*.

## New IPSAS issued but not adopted

*Implementation of IPSAS 18 – Segment Reporting and its corresponding Philippine Application Guidance (PAG) through COA Circular No. 2023-007 dated August 9, 2023:*

During the reporting period, IPSAS 18 - *Segment Reporting* was issued. However, the new Standard is not applicable to the NTA due to the nature of its operations. Management has assessed the applicability of the new IPSAS and determined that it does not have a material impact on the presentation of the financial statements. The NTA does not maintain segments as defined by the newly issued IPSAS on segment reporting. Therefore, the requirements outlined in the new Standard were not relevant to the financial reporting and IPSAS 18 - *Segment Reporting* was not adopted by the NTA.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1. Basis of accounting**

The NTA's financial statements are prepared on accrual basis in accordance with the IPSASs.

#### **3.2. Combined Financial Statements**

Separate books of accounts are maintained for the Special Account in the General Fund (SAGF) in compliance with COA Circular No. 2015-02 dated March 9, 2015. The SAGF is combined with corporate funds for purposes of financial reporting. The financial operation of the NTA has not yet been computerized due to budgetary constraints.

The eight (8) PBOs and two (2) SPs maintain separate sets of books of accounts and prepare respective financial reports which are submitted to the NTA Central Office (CO) for combination. The NTA adopts the branch accounting system for the financial operation of its PBOs and SPs to decentralize operations and allow fiscal autonomy in the management of the PBOs and SPs.

The combined financial statements reflect the assets, liabilities, revenues and expenses of the NTA CO, eight (8) PBOs, and two (2) SPs.

#### **3.3. Financial Instruments**

##### **a. Financial Assets**

##### **i. Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 - *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, loans and receivables or available-for-sale financial assets, as appropriate. The NTA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way

trades) are recognized on the trade date, i.e., the date that the NTA commits to purchase or sell the asset.

The NTA's financial assets include: Cash and cash equivalents, Receivables, Investments, and Guaranty deposits under the Other assets (current) account. (See *Notes 5, 6, 9, and 13.1*)

## **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 or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

As at December 31, 2023, the NTA has no financial assets at fair value through surplus or deficit.

### **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 6.1*)

## **iii. Derecognition**

The NTA 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 is expired or waived; and
2. The NTA 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 IPSAS 29 – *Financial Instruments: Recognition and Measurement*; and the NTA 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**

The NTA 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.

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; and
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 IPSAS 29 – *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The NTA determines the classification of its financial liabilities at recognition.

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

The NTA's Financial liabilities include Payables, Trust liabilities, Deferred credits/unearned revenue/income and Other payables. (See *Notes 14, 16, 17 and 18*)

#### **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 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.

As at December 31, 2023, the NTA has no financial liabilities at fair value through surplus or deficit.

## 2. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well 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. (See *Note 14*)

### iii. Derecognition

A financial liability is derecognized when the obligation under the liability is expired, discharged, or canceled.

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 Statements of Financial Position if, and only if, there is 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.

### 3.4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject of insignificant risk of changes of value. (See *Note 5*)

### 3.5. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. (See *Note 8*)

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- a. Raw materials: purchase cost using the weighted average cost method; and
- b. Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

The NRV is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NTA.

Pursuant to COA Circular No. 2022-004 dated May 31, 2022, tangible assets below the capitalization threshold of P50,000 are classified as inventories and treated as an expense upon issuance to the end-user. (See *Note 8*)

### **3.6. Investment property**

Investment property consists of properties held to earn rentals and/or capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the time of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model.

Investment property of the NTA is composed of idle lands, lands held for appreciation, and buildings that are being leased out. (See *Note 10*)

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is change in use.

The NTA uses the cost model for the measurement of investment property after initial recognition.

### **3.7. Property, plant and equipment (PPE)**

#### **a. Recognition**

An item is recognized as PPE if it meets the characteristics and recognition criteria of a PPE. (See *Note 11*)

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- the cost or fair value of the item can be measured reliably; and
- the cost is at least P50,000.

#### **b. Measurement at recognition**

An item recognized as PPE is measured at cost.

A PPE acquired through a non-exchange transaction is measured at its fair value on 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:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- 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 items are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the NTA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair or 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 an 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 an expense unless it is included in the cost of another asset. (See *Note 23.2*)

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is placed in the location and its condition necessary for it to be capable of operating in the manner intended by Management.

ii. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for the NTA's operation.

iii. Estimated useful life

The NTA uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience, as follows:

Buildings	-	20 years
Heavy equipment	-	10 years
Furniture and fixtures	-	10 years
Motor vehicles	-	7 years
Office equipment	-	5 years

iv. Residual value

The NTA uses a residual value equivalent to 10 per cent of the cost of the PPE.

**e. Impairment**

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

## **f. Derecognition**

The NTA 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 from the 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.

### **3.8. Leases**

#### **The NTA as a lessee**

##### **Operating Lease**

Operating leases are leases that do not transfer substantially all the risk and benefits incidental to ownership of the leased item to the NTA. Operating lease payments are recognized as an expense in surplus or deficit on a straight-line basis over the lease term.

In view of the construction of the new NTA CO building, the NTA leased from the Ben-Lor Realty Trading and Publishing Corporation a 1,647 square meters (sq. m.) office space at Ben-Lor Building, 1184 A, Brgy. Paligsahan, Quezon Avenue, Quezon City from January 2, 2019 to January 1, 2023, as provided in the Lease Contract entered and executed by the parties concerned on December 12, 2018. The monthly rental amounted to P1.176 million, exclusive of value-added tax (VAT), creditable withholding tax, and final VAT withholding, with an annual escalation rate of 10 per cent starting the second year. The NTA entered into a Lease Extension Agreement with Ben-Lor Realty Trading and Publishing Corporation for two months from January 2, 2023 to March 1, 2023.

Due to the expiration of the Lease Extension Agreement with Ben-Lor Realty Trading and Publishing Corporation, the NTA entered into a Lease Contract with PPC One Estate Corporation on November 15, 2022 to lease a 1,485.89 sq. m. office space at The Upper Class Tower, Quezon Avenue corner Scout Reyes Street, Brgy. Paligsahan, Quezon City for four (4) years from March 2, 2023 to March 1, 2027. The monthly rental amounted to P1.330 million, exclusive of VAT, creditable withholding tax and final VAT withholding, with an annual escalation rate of five per cent starting in the third year. (See *Note 22.3*)

#### **The NTA as a lessor**

##### **Operating lease**

Leases wherein the NTA does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Rent income is recognized as revenue in the period it is earned. (See *Note 20.2*)

The properties being leased to outside parties are recorded as part of the PPE. The depreciation policies for PPE are applied to similar assets leased by NTA.

### **3.9. Provisions, contingent liabilities and contingent assets**

#### **a. Provisions**

Provisions are recognized when the NTA has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Where the NTA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statements of Financial Performance as part of non-cash expenses, net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

#### **b. Contingent liabilities**

The NTA does not recognize a contingent liability but discloses the details of any contingencies in the Notes to Financial Statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### **c. Contingent assets**

The NTA does not recognize a contingent asset but discloses the details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NTA. (See *Note 11*)

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

### **3.10. Changes in accounting policies and estimates**

The NTA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

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

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

- a. Restating the comparative amounts for prior period(s) presented where 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.

### **3.11. 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 is recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- 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.

A non-exchange transaction of the NTA refers to the Subsidy from National Government received annually by the NTA. (See *Note 28.1*)

#### **b. Recognition of 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 the NTA 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 the 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 NTA, 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**

The NTA 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 are 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 is 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 are 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 values are ascertained by reference to quoted prices in an active and liquid market.

**f. Transfers**

The NTA 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. Transfers from other government entities**

Revenue 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 NTA and can be measured reliably.

**3.12. Revenue from exchange transactions**

**a. Measurement of revenue**

Revenue is measured at the fair value of the consideration received or receivable.

**b. Rendering of services**

The NTA recognizes revenue from services rendered by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable. (See *Note 20.1*)

**c. 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 the asset's carrying amount. The method applies this yield to the outstanding principal to determine interest income each period.



The interest income of the NTA arises from the interest earned from the loans extended to farmers under the production and facility assistance projects of the NTA as well as bank deposits. (See *Notes 20.2 and 26*)

**d. Rent income**

Rent income arising from operating leases is accounted on a straight-line basis over the lease term and included in the revenue.

The property being leased to outside parties is recorded as part of the PPE account. The income earned from the rentals is disclosed in *Note 20.2*.

**3.13. Budget Information**

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget was not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. The budget information in the financial statements is provided in *Note 33*.

**3.14. Employee Benefits**

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

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

The NTA recognized provisions on the regular employees' earned leave credits in compliance with IPSAS 19 – *Provisions, Contingent Liabilities, and Contingent Assets*. (See *Note 19*)

**3.15. Measurement of uncertainty**

The preparation of financial statements in conformity with IPSASs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

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

The items that require the use of significant estimates include, but not limited to, the following:

#### **a. Allowance for impairment**

In assessing impairment, the Management estimates the recoverable amount of each asset based on expected future cash flows. Estimation uncertainty relates to assumptions about future operating results.

In the case of Accounts receivable, an Allowance for impairment shall be provided based on the collectability of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the Agency, expected loss experiences and identified doubtful accounts. (See *Note 23.1*).

The provision for Allowance for impairment, approved by the NTA Governing Board under Board Resolution No. 620-2017 dated January 13, 2017 and amended under Board Resolution No. 011, s. 2022 dated October 27, 2022, is computed as follows:

<b>Age of account</b>	<b>Percentage of allowance</b>
Above 10 years	100%
Above 5 years to 10 years	40%
Above 1 year to 5 years	5%

The NTA recognized impairment losses amounting to P94.552 million in Calendar Year (CY) 2023 and P121.179 million in CY 2022 as disclosed in *Note 23.1*.

#### **b. Property, plant and equipment**

The PPE items are stated at cost less accumulated depreciation. A residual value equivalent to 10 per cent of acquisition cost is deducted before depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five (5) to 20 years, as prescribed by COA.

### **4. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

- Credit risk
- Liquidity risk
- Interest/Market risks
- Operational risk

This note presents information about the NTA's exposure to the above risks; objectives, policies and processes for measuring and managing the risks; and management of capital.

#### **4.1. Risk Management Framework**

The NTA Governing Board has overall responsibility for the establishment and oversight of the NTA's risk management framework. The Offices of the Administrator and Deputy Administrators, as well as, the Administrative, Finance, Regulation, Industrial Research and Corporate Planning Departments are responsible for developing and monitoring the NTA's risk management policies in their specific areas. The heads of these offices regularly convene to develop and monitor the NTA's risk management.

The NTA's risk management policies are established to identify and analyze the risks faced by the Agency to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions as well as products and services offered. The NTA, through its training and management standards and procedures, aims to develop a discipline and constructive control environment, wherein all employees understand their roles and obligations.

The NTA's Internal Audit Department is responsible for monitoring compliance with risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risk faced by the NTA.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities, as shown in the Statements of Financial Position, as summarized below.

	Note	2023	2022 As restated
<b>Financial assets</b>			
Cash in bank – local currency	5	531,129,699	408,784,813
Receivables - net	6	787,192,216	806,112,636
Guaranty deposits	13.1	4,040,569	9,589,245
Investments - net	9	1,122,433	1,122,433
		<b>1,323,484,917</b>	<b>1,225,609,127</b>
<b>Financial liabilities</b>			
Financial liabilities	14	371,848,583	192,408,837
Trust liabilities	16	6,300	6,300
Deferred credits/unearned revenue/income	17	12,198,644	-
Other payables	18	28,239,489	36,754,448
		<b>412,293,016</b>	<b>229,169,585</b>

## 4.2. Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the NTA. The Agency adopted a policy of dealing with creditworthy counterparties only. The NTA defines counterparties as having similar characteristics if they are related entities.

The credit granted by the NTA to counterparties generally arises from loan assistance to tobacco farmers, and repayments of which are generally through the proceeds from their harvest. The NTA generally does not obtain collateral from its counterparties as a means of mitigating the risk of loss from defaults but provides a repossession clause in its Promissory Notes and Schedule of Payments with counterparties. Interests, penalty clauses, and where applicable, administrative sanctions, are also applied to the loan borrowers, in case of defaults.

To encourage payments from farmer beneficiaries, the NTA gives 40 per cent incentive from the farm inputs/implements delivered to the beneficiaries if paid in full. Likewise, tobacco farmer-borrowers are not allowed to new production assistance if the payment to the outstanding loan is not fully paid, except in cases where the cause of non-payment is force majeure.

On-going credit evaluation is performed on the financial condition of loans and other receivables. Furthermore, the NTA manages its credit risk by depositing cash with authorized government depository banks.

The carrying amount of financial assets recognized in the financial statements represents the NTA's maximum exposure to credit risk.

### 4.3. Credit Risk Exposure

The gross maximum exposure to credit risk of the NTA as at December 31, 2023 and 2022, without considering the effects of credit risk mitigation techniques is presented in the table below.

	Note	2023	2022 As restated
<b>Financial assets</b>			
Cash in bank – local currency	5	531,129,699	408,784,813
Receivables*	6.4	1,416,944,641	1,341,519,026
Investments**	9	14,122,433	14,122,433
		<b>1,962,196,773</b>	<b>1,764,426,272</b>

\* Gross of Allowance for impairment amounting to P629,752,425 and P535,406,390 as at December 31, 2023 and 2022, respectively.

\*\* Gross of Allowance for impairment amounting to P13,000,000 as at December 31, 2023 and 2022.

#### a. Management of credit risk

The NTA Governing Board has delegated primary responsibility for the management of credit risk to its NTA's Management. The overall credit risk management structure of the NTA takes into consideration the following controls, among others:

- Formulating production assistance policies in consultation with the business units, credit assessment, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of production assistance facilities. Authorization limits are allocated to the PBO Managers and Area Heads, while larger facilities require the approval of the Administrator/CEO and/or the NTA Governing Board, as appropriate.
- Reviewing and assessing credit risk. The PBO Managers assess all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. The renewals and reviews of facilities are subject to the same review process.
- Providing advice, guidance and specialized skills to PBOs to promote best practice throughout NTA in the management of credit risk.
- Conducting Management meeting.

All personnel in-charge in lending are required to implement the NTA's credit policies and procedures, with credit approval authorities delegated from the Management.

The audit of the production assistance programs implemented by the NTA is undertaken by the Internal Audit Department.

- i. Impaired loans and receivables – Impaired loans and securities are loans and securities for which the NTA determines that it is probable that it will be unable to collect all principal and interest due according to contractual terms of the loans, securities agreements or promissory notes.
- ii. Past due but not impaired loans – Loans and securities where contractual interest or principal payments are past due, but the NTA believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of amounts owed to the NTA.
- iii. Loans with renegotiated terms – Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the NTA has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.
- iv. Allowances for impairment losses – The NTA establishes an allowance for impairment losses that represent its estimate of incurred losses in its loan portfolio. The main component of the allowance is a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.
- v. Write-off policy – Consonant with COA Circular No. 2016-005 dated December 19, 2016, the NTA requests authority from the COA for the write-off of a loan/security balance (and any related allowances for impairment losses) when Management determines that the loans/securities are finally uncollectible. This is determined after considering information like the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, death of borrowers, bankruptcy, whereabouts of borrowers cannot be located and/or the proceeds from the loan collateral will not be sufficient to pay back the entire exposure.

For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

The NTA generally does not obtain collateral from its counterparties as a means of mitigating the risk of loss from defaults, but provides repossession clause in its Promissory Notes and Schedule of Payments with counterparties. Interests, penalty clauses and administrative sanctions, when applicable, may be applied to the loan borrowers, in case of defaults.

- vi. Settlement risk – The NTA's activities may give rise to risk at the time of settlement of transaction and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed, providing a condition in the promissory

notes with loan beneficiaries that in case there is failure of repayment at the stipulated time of payment, the NTA can repossess all the farm inputs/equipment that have been previously loaned out to the beneficiaries and interests and penalty fees may be applied.

**b. Risk concentration of the maximum exposure to credit risk**

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of the NTA's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the NTA's financial strength and undermine public confidence.

**c. Aging analysis**

An aging analysis of the NTA's receivables as at December 31, 2023 and 2022 is as follows:

	Note	2023	2022 As restated
Outstanding receivables: *	6.4		
0 to one (1) year		198,568,729	190,356,709
More than one (1) year to five (5) years		346,491,213	395,207,225
More than five (5) years to 10 years		316,512,009	337,266,521
More than 10 years		555,372,690	418,688,571
		<b>1,416,944,641</b>	<b>1,341,519,026</b>

\* Gross of Allowance for impairment amounting to P629,752,425 and P535,406,390 as at December 31, 2023 and 2022, respectively.

**d. Impairment assessment**

The NTA recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These conditions and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two (2) methodologies applied by the NTA in assessing and measuring impairment include: (a) specific/individual assessment; and (b) collective assessment. Under specific/individual assessment, the NTA assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the NTA when assessing and measuring specific impairment allowances are: (a) timing of the expected cash flows; (b) projected receipts or expected cash flows; (c) going concern of the counterparty's business; (d) ability of the counterparty to repay its obligations during financial crises; and

(e) availability of other sources of financial support. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) the historical losses/write offs; (b) the losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

#### **4.4. Liquidity Risk**

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

##### **a. Management of liquidity risk**

The NTA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the NTA's reputation.

The NTA maintains a portfolio of short-term liquid assets, largely made up of cash in banks to ensure that sufficient liquidity is maintained within the NTA as a whole. All liquidity policies and procedures are subject to review and approval by the NTA Governing Board.

##### **b. Exposure to liquidity risk**

The liquidity risk is the adverse situation when the NTA encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored, and controlled in a comprehensive and timely manner. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory, and other external factors that may affect the liquidity position of the NTA.

The liquidity management policy of the NTA is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. The NTA's funding requirement is generally met through any or a combination of financial modes allowed by law that would give the most advantageous results.

The table below summarizes the maturity profile of the NTA's financial liabilities as at December 31, 2023 and 2022.

	Note	Within one year	One to five years	Over five years	Total
<b>As at December 31, 2023</b>					
Financial liabilities	14	212,881,640	79,917,198	79,049,745	371,848,583
Trust liabilities	16	-	6,300	-	6,300
Deferred credits/unearned revenue/income	17	12,198,644	-	-	12,198,644
Other payables	18	7,953,998	19,106,745	1,178,746	28,239,489
		<b>233,034,282</b>	<b>99,030,243</b>	<b>80,228,491</b>	<b>412,293,016</b>
<b>As at December 31, 2022</b>					
Financial liabilities	14	49,570,852	63,788,240	79,049,745	192,408,837
Trust liabilities	16	-	6,300	-	6,300
Deferred credits/unearned revenue/income	17	-	-	-	-
Other payables	18	14,767,834	20,988,288	998,326	36,754,448
		<b>64,338,686</b>	<b>84,782,828</b>	<b>80,048,071</b>	<b>229,169,585</b>

#### 4.5. Market Risks

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the NTA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### 4.6. Management of Market Risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the NTA's financial assets and liabilities to various standard and non-standard interest rate scenarios.

#### 4.7. Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the NTA's processes, personnel, technology and infrastructure, and from external factors other than credit, market and 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 NTA's operations and are faced by all business entities.

The NTA's objective is to manage operational risk to balance the avoidance of financial losses and damage to the NTA's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to the Management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:



- Requirement for appropriate segregation of duties, including the independent authorization of transactions;
- Requirement for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of control and procedures to address the risk identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with the mandatory standards is supported by a program of periodic reviews undertaken by the Internal Audit Department. The results of internal audit reviews are discussed with Management, with summaries to the NTA Governing Board.

## 5. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2023	2022 As restated
Cash in bank-local currency	531,129,699	408,784,813
Cash on hand	245,446	914,328
	<b>531,375,145</b>	<b>409,699,141</b>

The Cash in bank-local currency account pertains to deposits made to authorized government depository banks, while the Cash on hand account consists of unremitted collections from the Collecting Officers. Interest income on deposits for CYs 2023 and 2022 amounted to P302,479 and P107,133, respectively, as disclosed under *Note 26*.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Cash and cash equivalents account for CY 2022 is restated as follows:

	Amount
Cash and cash equivalents, December 31, 2022	411,648,487
Add/(deduct) adjustments on:	
Trust receipts	434,992
Collection of revenue	94,513
Reversal of interest	(13,701)
Refund of unutilized Quick Response Fund (QRF) to the DA	(1,017,820)
Payment of expenses	(1,447,330)
	<b>(1,949,346)</b>
<b>Cash and cash equivalents, December 31, 2022, as restated</b>	<b>409,699,141</b>

## 6. RECEIVABLES

	Note	2023			2022		
					As restated		
		Current	Non-current	Total	Current	Non-current	Total
Loans and receivables – net	6.1	751,540,848	-	751,540,848	768,897,243	-	768,897,243
Inter-agency receivables – net	6.2	257,382	-	257,382	257,382	-	257,382
Other receivables – net	6.3	35,393,986	-	35,393,986	36,958,011	-	36,958,011
		<b>787,192,216</b>	<b>-</b>	<b>787,192,216</b>	<b>806,112,636</b>	<b>-</b>	<b>806,112,636</b>

The Receivables account consists of research and regulation fees collectible from tobacco trading centers and manufacturers; loan assistance granted to tobacco farmers, cooperatives and traders; accrued interest on loans and amounts due from officers and employees.

### 6.1. Loans and receivables

	2023			2022		
				As restated		
	Current	Non-current	Total	Current	Non-current	Total
Loans receivable	1,137,865,433	5,414,040	1,143,279,473	1,064,340,451	5,414,040	1,069,754,491
Interests receivable	100,783,706	187,395	100,971,101	100,783,706	187,395	100,971,101
Notes receivable	-	77,734,275	77,734,275	-	77,734,275	77,734,275
Accounts receivable	47,101,896	781,245	47,883,141	43,619,701	781,245	44,400,946
	1,285,751,035	84,116,955	1,369,867,990	1,208,743,858	84,116,955	1,292,860,813
<i>Less: Allowance for impairment</i>	<i>534,210,187</i>	<i>84,116,955</i>	<i>618,327,142</i>	<i>439,846,615</i>	<i>84,116,955</i>	<i>523,963,570</i>
	<b>751,540,848</b>	<b>-</b>	<b>751,540,848</b>	<b>768,897,243</b>	<b>-</b>	<b>768,897,243</b>

Loans receivable account represents loans granted to tobacco farmers under the different projects of the NTA, such as, Integrated Farming and Other Income Generating Activity Project (IFOIGAP) – Tobacco; IFOIGAP - Rice/Corn; Curing Barn Assistance Project (CBAP); Tobacco Farm Mechanization Program (TFMP); Renewable Fuelwood Energy Farm Development Project and Restoration of Ecological Integrity Project (RFEFDPREIP); Beef Cattle Production Assistance Program (BCPAP); and others.

Notes receivable account represents receivables from tobacco traders and cooperatives out of the tobacco trading augmentation loans availed from the Omnibus Credit Line (OCL) with the Philippine National Bank (PNB) per Credit Agreement dated June 24, 1996.

The Accounts receivable account pertains to receivables from regulatory fees imposed by the NTA against tobacco importers, exporters, and transshippers as well as cigar/cigarette manufacturers.

The Allowance for impairment on loans and receivables accounts amounted to P454.727 million, P77.665 million, P77.734 million, and P8.201 million in CY 2023, and P350.425 million, P86.101 million, P77.734 million, and P9.703 million in CY 2022 for Loans receivable, Interests receivable, Notes receivable, and Accounts receivable accounts, respectively.

The non-current loans and receivables were provided with a 100 per cent Allowance for impairment.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Loans and receivables account for CY 2022 is restated as follows:

	<b>Amount</b>
Loans and receivables, December 31, 2022	757,867,682
Add/(deduct) adjustments:	
Unrecognized Competitive Enhancement Fees (CEF) earned in CY 2022	11,129,460
Loans receivable	(99,899)
	<i>11,029,561</i>
<b>Loans and receivables, December 31, 2022, as restated</b>	<b>768,897,243</b>

## 6.2. Inter-agency receivables

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Due from national government agencies	872,382	-	872,382	872,382	-	872,382
Due from other government corporations	78,525	-	78,525	78,525	-	78,525
	950,907	-	950,907	950,907	-	950,907
<i>Less: Allowance for impairment</i>	<i>693,525</i>	<i>-</i>	<i>693,525</i>	<i>693,525</i>	<i>-</i>	<i>693,525</i>
	<b>257,382</b>	<b>-</b>	<b>257,382</b>	<b>257,382</b>	<b>-</b>	<b>257,382</b>

## 6.3. Other receivables

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Disallowances/charges	29,991,812	-	29,991,812	30,560,575	-	30,560,575
Due from officers and employees	4,300,623	-	4,300,623	4,168,921	-	4,168,921
Other receivables	8,753,520	3,079,789	11,833,309	9,898,021	3,079,789	12,977,810
	43,045,955	3,079,789	46,125,744	44,627,517	3,079,789	47,707,306
<i>Less: Allowance for impairment</i>	<i>7,651,969</i>	<i>3,079,789</i>	<i>10,731,758</i>	<i>7,669,506</i>	<i>3,079,789</i>	<i>10,749,295</i>
	<b>35,393,986</b>	<b>-</b>	<b>35,393,986</b>	<b>36,958,011</b>	<b>-</b>	<b>36,958,011</b>

## 6.4. Aging/Analysis of receivables

*As at December 31, 2023*

	2023				Total
	0 to 1 year	More than 1 to 5 years	More than 5 to 10 years	More than 10 years	
Loans receivable	196,842,996	344,170,755	313,753,651	288,512,071	1,143,279,473
Interests receivable	-	-	-	100,971,101	100,971,101
Notes receivable	-	-	-	77,734,275	77,734,275
Accounts receivable	71,562	199,250	2,110,121	45,502,208	47,883,141
Inter-agency receivables	-	-	-	950,907	950,907
Disallowances/charges	-	523,270	329,266	29,139,276	29,991,812
Due from officers and employees	1,654,171	1,384,858	306,456	955,138	4,300,623
Other receivables	-	213,080	12,515	11,607,714	11,833,309
	<b>198,568,729</b>	<b>346,491,213</b>	<b>316,512,009</b>	<b>555,372,690</b>	<b>1,416,944,641</b>

As at December 31, 2022

	0 to 1 year	More than 1 to 5 years	More than 5 to 10 years	More than 10 years	Total
Loans receivable	165,714,366	379,023,879	306,917,053	218,099,193	1,069,754,491
Interests receivable	-	-	24,646,464	76,324,637	100,971,101
Notes receivable	-	-	-	77,734,275	77,734,275
Accounts receivable	22,144,753	12,455,032	633,680	9,167,481	44,400,946
Inter-agency receivables	257,382	-	-	693,525	950,907
Due from officers and employees	1,165,858	1,962,140	520,629	520,294	4,168,921
Disallowances/charges	1,028,284	893,167	1,821,890	26,817,234	30,560,575
Other receivables	46,066	873,007	2,726,805	9,331,932	12,977,810
	<b>190,356,709</b>	<b>395,207,225</b>	<b>337,266,521</b>	<b>418,688,571</b>	<b>1,341,519,026</b>

The Allowance for impairment – receivables as at December 31, 2023 is computed as follows:

	Note	Amount
Allowance for impairment, December 31, 2022		
Loans and receivables	6.1	523,963,570
Inter-agency receivables	6.2	693,525
Other receivables	6.3	10,749,295
		535,406,390
Provision for impairment losses		
Loans and receivables	23.1	94,367,850
Other receivables	23.1	184,499
Deduct adjustments on:		
Collection of receivables previously impaired		(206,314)
<b>Allowance for impairment, December 31, 2023</b>		<b>629,752,425</b>

## 7. INTRA-AGENCY RECEIVABLES

The Intra-agency receivables account amounted to nil in CY 2023 and P0.548 million in CY 2022, as restated, which represents unrecorded capital outlay by PBOs, online deposits not taken up by the NTA CO, and fertilizers intended for distribution to farmers.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Intra-agency receivables account for CY 2022 is restated as follows:

	Amount
Intra-agency receivables, December 31, 2022	-
Add adjustments due to error on reciprocal adjustment	547,927
<b>Intra-agency receivables, December 31, 2022, as restated</b>	<b>547,927</b>

## 8. INVENTORIES

Inventories are carried at lower of cost and NRV. It is broken down as follows:

	Note	2023	2022
<b>Agricultural and marine supplies inventory</b>			
Carrying amount, January 1		35,554,090	11,015,404
Additions/acquisitions during the year		-	52,907,875
Expensed during the year, except write-down	22.4	(1,034,539)	(2,173,885)
Other adjustments		(25,132,500)	(26,195,304)
<b>Carrying amount, December 31</b>		<b>9,387,051</b>	<b>35,554,090</b>
<b>Semi-expendable inventory</b>			
Carrying amount, January 1		9,394,806	5,594,235
Additions/acquisitions during the year		-	3,830,304
Expensed during the year, except write-down	22.4	(1,776,875)	(3,462,918)
Other adjustments		(631,767)	3,433,185
<b>Carrying amount, December 31</b>		<b>6,986,164</b>	<b>9,394,806</b>
<b>Medical, dental and laboratory supplies inventory</b>			
Carrying amount, January 1		451,590	410,936
Additions/acquisitions during the year		727,168	1,422,074
Expensed during the year, except write-down	22.4	(557,276)	(1,478,090)
Other adjustments		-	96,670
<b>Carrying amount, December 31</b>		<b>621,482</b>	<b>451,590</b>
<b>Accountable and non-accountable forms inventory</b>			
Carrying amount, January 1		441,669	486,756
Additions/acquisitions during the year		357,229	512,690
Expensed during the year, except write-down	22.4	(185,126)	(329,741)
Other adjustments		-	(228,036)
<b>Carrying amount, December 31</b>		<b>613,772</b>	<b>441,669</b>
<b>Finished goods inventory</b>			
Carrying amount, January 1		164,255	191,723
Additions/acquisitions during the year		300,865	373,915
Expensed during the year, except write-down	24	(153,730)	(220,185)
Other adjustments		-	(181,198)
<b>Carrying amount, December 31</b>		<b>311,390</b>	<b>164,255</b>
<b>Raw materials inventory</b>			
Carrying amount, January 1		58,263	59,588
Additions/acquisitions during the year		180,697	-
Other adjustments		-	(1,325)
<b>Carrying amount, December 31</b>		<b>238,960</b>	<b>58,263</b>
<b>Office supplies inventory</b>			
Carrying amount, January 1		220,561	190,673
Additions/acquisitions during the year		2,751,096	3,863,919
Expensed during the year, except write-down	22.4	(2,744,303)	(3,760,780)
Other adjustments		-	(73,251)
<b>Carrying amount, December 31</b>		<b>227,354</b>	<b>220,561</b>
<b>Other supplies and materials inventory</b>			
Carrying amount, January 1		22,057,517	14,634,986
Additions/acquisitions during the year		-	7,654,647
Expensed during the year, except write-down	22.4	(1,258,961)	(1,787,277)
Other adjustments		(1,325,667)	1,555,161
<b>Carrying amount, December 31</b>		<b>19,472,889</b>	<b>22,057,517</b>
		<b>37,859,062</b>	<b>68,342,751</b>

The Agricultural and marine supplies inventory account consists of fertilizers, fungicides, and suckercides intended for distribution to tobacco farmers as loans in CY 2023.

Semi-expendable inventory account includes tangible properties which costs are below the capitalization threshold of P50,000 as prescribed under COA Circular No. 2022-004 dated May 31, 2022 which are recognized as expenses upon issuance/distribution to the end-users.

Finished goods inventory and Raw materials inventory accounts pertain to the meat products and ingredients for meat processing of the Kadiwa ni Ani at Kita.

Other supplies inventory account includes materials used in the Improved Tobacco Seedling Production Project, such as catcha, seedling tray and plastic sheet which are expected to last for three cropping seasons.

## 9. INVESTMENTS

This account consists of the following:

	<b>2023</b>	<b>2022</b>
Investments in time deposits	1,121,933	1,121,933
Investment in bonds	500	500
Other investments	13,000,000	13,000,000
	14,122,433	14,122,433
<i>Less: Allowance for impairment</i>	<i>13,000,000</i>	<i>13,000,000</i>
	<b>1,122,433</b>	<b>1,122,433</b>

The Investments in time deposits account includes special deposit of P1.116 million, which is part of the investment with the Trust Management Group of the Philippine Veterans Bank (PVB) under Investment Management Agreement No. 4450-42-000064 dated June 17, 2003 executed between the PVB and the NTA. This was opened as a requirement for the release of P100 million loans to tobacco traders from the funds of the Provincial Government of Ilocos Sur transferred to the NTA.

The NTA entered into an agreement with the PVB for the latter to manage the fund and to grant loans to tobacco farmers, manufacturers/companies, trading centers and/or tobacco-based farmers' cooperatives as may be identified and authorized by the NTA under a "directional loan arrangement" and shall be withdrawn by the NTA upon collection by the PVB of the loans from the loan borrowers.

The Investment in bonds account relates to PVTA, a defunct tobacco agency merged to the NTA.

The Other investments account represents investment to fully complete and implement the NTA employees' housing project located in Montalban, Rizal, drawn from the corporate funds of the NTA. It was provided with a 100 per cent Allowance for impairment in CY 2022.

## 10. INVESTMENT PROPERTY

	Note	2023			2022, As restated		
		Investment property – land	Investment property – buildings	Total	Investment property – land	Investment property – buildings	Total
Carrying amount, January 1		42,922,052	10,130,921	53,052,973	-	-	-
Reclassification	11	-	-	-	42,922,052	10,462,225	53,384,277
Total		42,922,052	10,130,921	53,052,973	42,922,052	10,462,225	53,384,277
Depreciation	23.2	-	(496,955)	(496,955)	-	(331,304)	(331,304)
<b>Carrying amount, December 31</b>		<b>42,922,052</b>	<b>9,633,966</b>	<b>52,556,018</b>	<b>42,922,052</b>	<b>10,130,921</b>	<b>53,052,973</b>
<b>Cost</b>		<b>42,922,052</b>	<b>10,130,921</b>	<b>53,052,973</b>	<b>42,922,052</b>	<b>10,462,225</b>	<b>53,384,277</b>
Accumulated depreciation		-	(496,955)	(496,955)	-	(331,304)	(331,304)
<b>Carrying amount, December 31</b>		<b>42,922,052</b>	<b>9,633,966</b>	<b>52,556,018</b>	<b>42,922,052</b>	<b>10,130,921</b>	<b>53,052,973</b>

The Investment property-land account pertains to the various parcels of land, which are held for a currently undetermined future use, located in Maguindanao, Isabela, Bulacan, Las Piñas, Paco, Manila, Montalban, Rizal and Occidental Mindoro.

The Investment property-buildings account pertains to the Farmers Training Center in Cagayan, which is being leased out to private concessionaires for commercial use.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Investment property account for CY 2022 is restated as follows:

	Amount
Investment property, December 31, 2022	42,922,052
Add adjustment due to reclassification of the carrying amount of Building from PPE to Investment property-buildings account:	
Acquisition cost	10,462,225
Accumulated depreciation as at December 31, 2022	(331,304)
	10,130,921
<b>Investment property, December 31, 2022, as restated</b>	<b>53,052,973</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

Breakdown of this account is as follows:

*As at December 31, 2023*

	Land improvements, building and		Various equipment	Furniture and fixtures, books, motor vehicles and other PPE	Construction in progress	Total
	Land	other structures				
Carrying amount, January 1	59,664,072	268,725,365	60,351,031	21,543,259	11,311,344	421,595,071
Additions	-	7,473,930	6,765,128	5,029,711	180,548	19,449,317
	<b>59,664,072</b>	<b>276,199,295</b>	<b>67,116,159</b>	<b>26,572,970</b>	<b>11,491,892</b>	<b>441,044,388</b>
Disposals	-	(101,743)	(1,545,800)	(94,300)	-	(1,741,843)
Depreciation (Note 23.2)	-	(14,773,203)	(15,489,653)	(3,467,264)	-	(33,730,120)
Other changes	-	(1,170,194)	(1,323,057)	(5,121,924)	-	(7,615,175)
<b>Carrying amount, December 31</b>	<b>59,664,072</b>	<b>260,154,155</b>	<b>48,757,649</b>	<b>17,889,482</b>	<b>11,491,892</b>	<b>397,957,250</b>
<b>Cost</b>	<b>59,664,072</b>	<b>412,921,197</b>	<b>218,776,771</b>	<b>50,988,018</b>	<b>11,491,892</b>	<b>753,841,950</b>
Accumulated depreciation	-	(152,767,042)	(170,019,122)	(33,098,536)	-	(355,884,700)
<b>Carrying amount, December 31</b>	<b>59,664,072</b>	<b>260,154,155</b>	<b>48,757,649</b>	<b>17,889,482</b>	<b>11,491,892</b>	<b>397,957,250</b>

As at December 31, 2022

	Land	Land improvements, building and other structures	Various equipment	Furniture and fixtures, books, motor vehicles and other PPE	Construction in progress	Total
<b>Carrying amount, January 1</b>	101,570,204	299,643,995	68,668,446	27,491,747	-	497,374,392
Additions	273,600	10,810,583	14,272,827	2,290,372	455,680	28,103,062
<b>Total</b>	<b>101,843,804</b>	<b>310,454,578</b>	<b>82,941,273</b>	<b>29,782,119</b>	<b>455,680</b>	<b>525,477,454</b>
Disposals	-	-	(142,740)	(123,990)	-	(266,730)
Depreciation (Note 23.2)	-	(17,814,516)	(16,072,857)	(3,967,021)	-	(37,854,394)
Reclassification (Notes 10 and 12)	(42,922,052)	(10,462,225)	(1,422,063)	-	-	(54,806,340)
Other changes	742,320	(13,452,472)	(4,952,582)	(4,147,849)	10,855,664	(10,954,919)
<b>Carrying amount, December 31, as restated</b>	<b>59,664,072</b>	<b>268,725,365</b>	<b>60,351,031</b>	<b>21,543,259</b>	<b>11,311,344</b>	<b>421,595,071</b>
<b>Gross cost</b>	<b>59,664,072</b>	<b>407,778,949</b>	<b>219,875,102</b>	<b>50,681,210</b>	<b>11,311,344</b>	<b>749,310,677</b>
Accumulated depreciation	-	(139,053,584)	(159,524,071)	(29,137,951)	-	(327,715,606)
<b>Carrying amount, December 31, as restated</b>	<b>59,664,072</b>	<b>268,725,365</b>	<b>60,351,031</b>	<b>21,543,259</b>	<b>11,311,344</b>	<b>421,595,071</b>

The NTA is currently involved in a land dispute with the Mariano Marcos State University (MMSU) concerning the ownership rights related to 60 parcels of land, collectively measuring approximately 59,063 sq.m. situated in Batac, Ilocos Norte. The dispute stemmed from an unenforced Deed of Donation executed by the NTA and the MMSU on January 29, 1989, which has led to conflicting claims of ownership between the two (2) parties over the aforementioned property.

The NTA proceeded to initiate the titling process for the said properties in its name. However, the MMSU interceded, halting the transfer of titles. Despite efforts to amicably resolve the dispute, including negotiations between the involved parties, an agreement has yet to be reached. Presently, the MMSU has escalated the matter by seeking the intervention of the Office of the President of the Philippines.

In light of the ongoing dispute and the uncertain outcome thereof, the NTA has refrained from recognizing ownership of the subject parcels of land in its financial statements. Instead, the NTA has treated the assets in question as contingent, pending the resolution of the dispute. (See Note 3.9 c.)

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the PPE account for CY 2022 is restated as follows:

	Amount
PPE, net, December 31, 2022	432,776,947
Add/(deduct) adjustments due to reclassification of the carrying amounts of:	
Building from PPE to Investment property-buildings account (Note 10):	
Acquisition cost	(10,462,225)
Accumulated depreciation as at December 31, 2022	331,304
Computer software from PPE to Intangible assets (Note 12):	
Acquisition cost	(1,422,063)
Accumulated amortization as at December 31, 2022	371,108
	(11,181,876)
<b>PPE, net, December 31, 2022, as restated</b>	<b>421,595,071</b>



## 12. INTANGIBLE ASSETS

This account consists of the following:

	Note	2023	2022 As restated
<b>Carrying amount, January 1</b>		<b>1,050,955</b>	-
Reclassification	11	-	1,422,063
Total		1,050,955	1,422,063
Amortization		-	371,108
<b>Carrying amount, December 31</b>		<b>1,050,955</b>	<b>1,050,955</b>
<b>Cost</b>		<b>1,912,858</b>	<b>1,912,858</b>
Accumulated amortization		861,903	861,903
<b>Carrying amount, December 31</b>		<b>1,050,955</b>	<b>1,050,955</b>

The intangible assets include computer software embedded in the information technology equipment of the NTA.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Intangible assets account for CY 2022 is restated as follows:

	Amount
Intangible assets, December 31, 2022	-
Add/(deduct) adjustments due to:	
Reclassification from PPE to Intangible assets	1,422,063
Accumulated amortization of Intangible assets as at December 31, 2022	(371,108)
	<u>1,050,955</u>
<b>Intangible assets, December 31, 2022, as restated</b>	<b>1,050,955</b>

## 13. OTHER ASSETS – CURRENT AND NON-CURRENT

### 13.1. Other assets (current)

This account consists of the following:

	2023	2022
<b>Advances</b>		
Advances to special disbursing officers	1,658,734	1,658,734
Advances to officers and employees	35,819	147,676
Advances for operating expenses	19,092	54,489
Advances for payroll	10,665	27,896
	<u>1,724,310</u>	<u>1,888,795</u>
<b>Prepayments</b>		
Prepaid rent	4,105,482	4,105,482
Prepaid insurance	1,142,501	1,029,558
Other prepayments	97,537,311	91,330,468
	<u>102,785,294</u>	<u>96,465,508</u>
<b>Deposits</b>		
Guaranty deposits	4,040,569	9,589,245
Other deposits	109,920	55,620
	<u>4,150,489</u>	<u>9,644,865</u>
	<b>108,660,093</b>	<b>107,999,168</b>

The Advances account consists of payment extended to the officers and employees of the NTA for payroll, operating expenses, and other transactions with specific purposes.

The balance of the Advances to special disbursing officers account represents advances to special disbursing officers of the merged tobacco agencies which remained dormant for more than 10 years.

The Prepayments account includes rental deposits of PBOs and model farm; insurance of vehicles, buildings, and fidelity bonds of accountable officers; deferred charges; and other prepaid expenses. It also includes 15 per cent mobilization fee and cost of materials amounting to P0.583 million paid to Renaissance Builders Company, Inc. in the 1980s for the construction of the defunct PTRTC, now Main Research Center in Batac, Ilocos Norte, and Letters of Credit with the PNB for various suppliers' accounts in the amount of P3.488 million.

Prepaid rent account pertains to advance rent given to the lessors of NTA CO and the Sub-office in Mindoro as well as guaranty deposits made to electric cooperatives.

### 13.2. Other assets (non-current)

	2023	2022
Investments	28,633,897	28,633,897
Defunct tobacco agencies accounts	1,508,498	1,508,498
Unserviceable property	1,083,712	946,467
Others	84,481,676	84,481,676
	115,707,783	115,570,538
<i>Less: Allowance for impairment</i>		
Investments	28,633,897	28,633,897
Defunct tobacco agencies accounts	1,508,498	1,508,498
Others	84,481,676	84,481,676
	114,624,071	114,624,071
	<b>1,083,712</b>	<b>946,467</b>

The Investments account represents the balance of the Land Bank of the Philippines (LBP) bonds purchased from the Tradal Ventures Management Corporation and Stalwart Management Services Corporation through Associated Bank in CYs 1988 and 1989. Cases were filed with the Office of the Ombudsman (OMB) against the NTA officials responsible and accountable for the transactions docketed as Case Nos. OMB-C-C-10-0393-I and OMB-C-A-10-0413-I which were dismissed by the OMB in a Decision dated November 2, 2011 and Resolution dated April 2, 2012 due to lapse of the prescription period. Thus, 100 per cent allowance for impairment was provided.

The Defunct tobacco agencies accounts include Loans receivables, Interests receivable, Accounts receivable, Due from officers and employees, Other receivables, disallowances and other accounts of the defunct tobacco agencies which remained non-moving for more than 10 years.

The Other non-current assets account includes several non-moving accounts carried over from the books of the eight (8) tobacco agencies consolidated in the NTA books in CY 1987. The accounts have been dormant for more than 20 years and were reclassified in CY 2004.

#### 14. FINANCIAL LIABILITIES

The breakdown of the account is as follows:

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	196,509,363	-	196,509,363	107,315,273	-	107,315,273
Interest payable	90,849,087	-	90,849,087	-	-	-
Due to officers and employees	5,760,981	-	5,760,981	6,364,412	-	6,364,412
Notes payable	-	78,729,152	78,729,152	-	78,729,152	78,729,152
	<b>293,119,431</b>	<b>78,729,152</b>	<b>371,848,583</b>	<b>113,679,685</b>	<b>78,729,152</b>	<b>192,408,837</b>

The Accounts payable account consists mostly of the unliquidated or certified obligations as at December 31, 2023 while the Due to officers and employees account comprises unpaid claims of officers and employees of the NTA.

The Notes payable account represents long-term loan from the PNB through the OCL per Credit Agreement with the NTA dated June 24, 1996 which was transferred to the Philippine Deposit Insurance Corporation (PDIC) by way of *dacion en pago* agreement on July 30, 2002. The loan is payable for a period of eight (8) years with a grace period of four (4) years and the repayment started in the fifth year up to July 2009.

The Interest payable account includes the interests from CYs 2006 to 2022 on the long-term notes payable which was recorded in the books of account of the NTA in CY 2023 pending the result of Management's request for the renegotiation on lowering the interest rate and condonation of penalties.

Moreover, the NTA manifested to surrender the property in San Isidro, Montalban, Rizal as settlement of NTA's principal loan, including interests and penalties thereon. In the latest communication of the PDIC with the NTA on May 31, 2023, the PDIC informed the NTA that the proposed terms and conditions of the settlement agreement with Bangko Sentral ng Pilipinas (BSP) are yet to be approved/finalized.

#### 15. INTER-AGENCY PAYABLES

The breakdown of this account is as follows:

	Note	2022	
		2023	As restated
Due to Bureau of Internal Revenue (BIR)	32.1(b)	3,526,596	3,983,630
Due to GSIS	35	2,109,632	2,650,784
Due to Philippine Health Insurance Corporation (PhilHealth)		353,524	156,934
Due to Home Development Mutual Fund (Pag-IBIG)		256,067	262,222
Due to Social Security System		119,140	35,655
		<b>6,364,959</b>	<b>7,089,225</b>

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Inter-agency payables account for CY 2022 is restated as follows:

	<b>Amount</b>
Inter-agency payables, December 31, 2022	6,689,606
<i>Add: Adjustments to recognize the payment of back wages of some employees</i>	
Due to BIR	293,707
Due to GSIS	104,312
Due to Pag-IBIG	1,600
	399,619
<b>Inter-agency payables, December 31, 2022, as restated</b>	<b>7,089,225</b>

## 16. TRUST LIABILITIES

	<b>2023</b>	<b>2022</b>
Guaranty/security deposits payable	6,300	6,300
	<b>6,300</b>	<b>6,300</b>

## 17. DEFERRED CREDITS/UNEARNED REVENUE/INCOME

	<b>2023</b>	<b>2022</b>
Other unearned revenue/income	12,198,644	-
	<b>12,198,644</b>	<b>-</b>

The Other unearned revenue/income account includes the advance payments/deposits of regulatory fees given by tobacco dealers/traders, importers, exporters, transshippers and manufacturers that are applied to future regulatory transactions.

## 18. OTHER PAYABLES

	<b>2023</b>	<b>2022</b>
		<b>As restated</b>
Other payables	28,239,489	36,754,448
	<b>28,239,489</b>	<b>36,754,448</b>

The Other payables account includes fees collected from fertilizer, pesticide and suckercide companies for protocol research conducted by the NTA, through the Farm Technology and Services Department; and loan payments of employees withheld from their salaries for remittance to government agencies or financial institutions like the BIR, GSIS, Pag-IBIG, Quedan and Rural Credit Guarantee Corporation, Gintong Alay, and Government Employees Mutual Benefit Association.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other payables account for CY 2022 is restated as follows:

	<b>Amount</b>
Other payables, December 31, 2022	36,719,076
<i>Add: Adjustment on other payables related to unrecognized health insurance of some employees</i>	35,372
<b>Other payables, December 31, 2022, as restated</b>	<b>36,754,448</b>

## 19. PROVISIONS

This account includes provisions for terminal leave benefits of the regular employees of the NTA amounting to P139.857 million and P145.527 million as at December 31, 2023 and 2022, respectively, which was recognized in the books of accounts in compliance with the provisions of IPSAS 19 – *Provisions, Contingent Liabilities and Contingent Assets*.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Provisions account for CY 2022 is restated as follows:

	<b>Amount</b>
Provisions, December 31, 2022	145,533,967
<i>Deduct: adjustments on leave benefits due to error on terminal leave pay of the previous Administrator</i>	<i>(7,200)</i>
<b>Provisions, December 31, 2022, as restated</b>	<b>145,526,767</b>

## 20. SERVICE AND BUSINESS INCOME

	<b>Note</b>	<b>2023</b>	<b>2022 As restated</b>
Service income	20.1	141,436,172	140,843,968
Business income	20.2	4,646,218	5,308,563
		<b>146,082,390</b>	<b>146,152,531</b>

### 20.1. Service Income

	<b>2023</b>	<b>2022 As restated</b>
Supervision and regulation enforcement fees	100,204,750	102,408,377
Processing fees	21,448,720	22,357,350
Inspection fees	4,828,162	1,815,590
Licensing fees	4,422,900	3,687,098
Accreditation fees	242,900	219,900
Clearance and certification fees	95,100	241,013
Permit fees	43,300	173,300
Registration fees	5,000	3,600
Fines and penalties	10,430	579,111
Other service income	10,134,910	9,358,629
	<b>141,436,172</b>	<b>140,843,968</b>

Service income account refers to the fees earned/collected from tobacco traders, manufacturers, associations, and cooperatives for the regulation of the tobacco industry in the Philippines.

The Supervision and regulation enforcement fees account consists of monitoring fees, Research and regulation (R&R) fees, and CEF imposed against the tobacco importations, exportations, transshipments, and acceptances of various tobacco companies. The collections of the NTA amounted to P62.645 million, P27.625 million, and P9.935 million in CY 2023 and P62.135 million, P27.270 million, and P13.003 million in CY 2022, on monitoring fees, R&R fees, and CEF, respectively.

Processing fees account pertains to the fees imposed by the NTA for the services rendered in the processing, evaluation and documentation of the exportation and importation of leaf and tobacco products.

Inspection fees account pertains to fees imposed by the NTA to cover the cost of fuel/oil and overhead expenses in the inspection of tobacco commodities and other tobacco related materials for export, import or transshipment.

Licensing fees account refers to the fees imposed by the NTA for the issuance of an Authority to Export, Import or Transship tobacco leaf and tobacco products.

Other service income account includes classification fees paid from the harvest of tobacco-beneficiaries, in relation to the IFOIGAP of the NTA and service fees collected from market tie-ups and loans provided to farmer-cooperators.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Service income account for CY 2022 is restated as follows:

	<b>Amount</b>
Service income, CY 2022	129,642,834
<i>Add: Adjustments on -</i>	
Supervision and regulation enforcement fees to recognize CEF earned in CY 2022	11,106,621
Collection of revenue	94,513
	<u>11,201,134</u>
<b>Service income, CY 2022, as restated</b>	<b>140,843,968</b>

## 20.2. Business Income

	<b>2023</b>	<b>2022</b>
Interest income	2,839,783	4,120,190
Rent/lease income	314,500	505,700
Sales revenue	146,899	224,073
Seminar/training fees	9,800	8,400
Fines and penalties-Business income	1,450	10,200
Tuition fee	-	440,000
Other business income	1,333,786	-
	<u><b>4,646,218</b></u>	<u><b>5,308,563</b></u>

Interest income account refers to the interests earned from the loan assistance projects of the NTA.

The Rent/lease income account pertains to the rental earned by the NTA for the lease of the Milling Complex in the NTA Kadiwa ni Ani at Kita.

The Sales revenue account was generated through the operations of the NTA Kadiwa ni Ani at Kita. The NTA markets or trades fresh meat from the raw materials produced by the farmers in line with the NTA's IFOIGAP.

## 21. PERSONNEL SERVICES

This account consists of the following:

	Note	2023	2022 As restated
Salaries and wages	21.1	138,524,204	132,647,910
Other compensation	21.2	39,478,753	37,715,802
Personnel benefit contributions	21.3	19,864,447	18,941,524
Other personnel benefits	21.4	39,687,977	47,724,919
		<b>237,555,381</b>	<b>237,030,155</b>

### 21.1. Salaries and Wages

This account represents salaries and wages of regular employees of the NTA.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Salaries and wages account in CY 2022 is restated as follows:

	Amount
Salaries and wages, CY 2022	131,641,024
Add: Adjustments on salaries and wages to recognize the payment of back wages of some employees	1,006,886
<b>Salaries and wages, CY 2022, as restated</b>	<b>132,647,910</b>

### 21.2. Other Compensation

Breakdown of this account is as follows:

	2023	2022 As restated
Year-end bonus	11,533,037	11,104,068
Mid-year bonus	11,421,379	11,089,245
Personnel economic relief allowance	6,787,436	6,429,894
Representation allowance	2,546,773	2,397,186
Directors and committee members' fees	2,308,800	2,177,700
Transportation allowance	1,797,828	1,590,459
Clothing/uniform allowance	1,686,000	1,578,000
Cash gift	1,397,500	1,348,750
Longevity pay	-	500
	<b>39,478,753</b>	<b>37,715,802</b>

Directors and committee members' fees account pertains to per diems paid to the NTA Governing Board for their attendance in regular and special board meetings as well as committee meetings.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other compensation account for CY 2022 is restated as follows:

	<b>Amount</b>
Other compensation, CY 2022	37,535,569
<i>Add/(deduct): Adjustments to recognize the payment of back wages of some employees -</i>	
Year-end bonus	75,233
Representation allowance	54,000
Transportation allowance	54,000
Personnel economic relief allowance	24,000
Cash gift	10,500
Directors and committee members' fees	(37,500)
	<u>180,233</u>
<b>Other compensation, CY 2022 as restated</b>	<b>37,715,802</b>

### 21.3. Personnel Benefit Contributions

This account consists of the following:

	<b>2023</b>	<b>2022 As restated</b>
Retirement and life insurance premiums	16,665,021	16,110,361
PhilHealth contributions	2,526,262	2,197,878
Pag-IBIG contributions	335,490	317,128
Employees compensation insurance premiums	337,674	316,157
	<u>19,864,447</u>	<u>18,941,524</u>

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Personnel benefit contributions account for CY 2022 is restated as follows:

	<b>Amount</b>
Personnel benefit contributions, CY 2022	19,080,837
<i>Deduct: Adjustments to recognize the payment of back wages of some of employees -</i>	
Retirement and life insurance premiums	(127,700)
PhilHealth contributions	(6,813)
Pag-IBIG contributions	(4,800)
	<u>(139,313)</u>
<b>Personnel benefit contributions, CY 2022, as restated</b>	<b>18,941,524</b>

### 21.4. Other Personnel Benefits

This account is broken down as follows:

	<b>2023</b>	<b>2022 As restated</b>
Terminal leave benefits	21,913,840	29,108,906
Collective negotiation agreement incentive	8,370,000	-
Service recognition incentive	5,558,000	5,071,000
Educational assistance incentive bonus	2,045,960	2,966,531
Productivity enhancement incentive	1,392,000	1,277,000
Rice subsidy	333,177	166,234
Loyalty pay	75,000	160,000
Performance-based bonus	-	5,809,648
Performance-based incentive	-	2,553,600
Anniversary bonus	-	612,000
	<u>39,687,977</u>	<u>47,724,919</u>



In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other personnel benefits account for CY 2022 is restated as follows:

	<b>Amount</b>
Other personnel benefits, CY 2022	47,693,919
<i>Add: Adjustments to recognize the payment of back wages of some employees -</i>	
Service recognition incentive	29,000
Productivity enhancement incentive	2,000
	<u>31,000</u>
<b>Other personnel benefits, CY 2022, as restated</b>	<b>47,724,919</b>

## 22. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account includes:

	<b>Note</b>	<b>2023</b>	<b>2022 As restated</b>
Financial subsidy	22.1	218,847,871	217,143,895
General services	22.2	48,883,526	52,253,708
Rent/lease expenses	22.3	19,752,445	24,897,009
Supplies and materials expenses	22.4	11,173,490	17,538,686
Traveling expenses	22.5	10,457,167	6,851,289
Professional services	22.6	8,591,392	12,472,618
Utility expenses	22.7	6,702,200	7,984,321
Representation expenses	22.8	6,349,594	5,867,908
Training and scholarship expenses	22.9	4,968,190	3,283,592
Taxes, insurance premiums and other fees	22.10	4,167,697	7,421,367
Repairs and maintenance	22.11	2,280,903	2,475,332
Subscription expenses	22.12	2,258,229	101,385
Communication expenses	22.13	1,898,572	2,110,798
Other MOOE	22.14	18,144,231	21,925,327
		<b>364,475,507</b>	<b>382,327,235</b>

### 22.1. Financial Subsidy

This account represents financial assistance provided to tobacco farmer-beneficiaries for the implementation of the NTA's programs and projects such as the IFOIGAP, CBAP and TFMP as well as calamity assistance under the Disaster Risk Reduction Management Program.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Financial subsidy account for CY 2022 is restated as follows:

	<b>Amount</b>
Financial subsidy, CY 2022	217,266,279
<i>Deduct: Adjustments on -</i>	
TFMP	(46,910)
Tobacco Contract Growing System (TCGS)	(52,779)
Emergency Cash Assistance	(7,500)
Vegetable Seeds Distribution (VSD) Project	(15,195)
	<u>(122,384)</u>
<b>Financial subsidy, CY 2022, as restated</b>	<b>217,143,895</b>

## 22.2. General Services

	2023	2022
Security services	13,927,575	15,026,395
Janitorial services	4,416,397	3,098,148
Other general services	30,539,554	34,129,165
	<b>48,883,526</b>	<b>52,253,708</b>

## 22.3. Rent/Lease Expenses

The NTA leased from January 2, 2019 to January 1, 2023 in view of the reconstruction of the NTA CO Building, which is extended for two (2) months, commencing from January 2, 2023 to March 1, 2023. In view of the expiration of the lease contract from Ben-Lor Realty Trading and Publishing Corporation, the NTA entered into a Lease Contract with PPC One Estate Corporation at The Upper Class Tower starting March 2, 2023 for a period of four (4) years.

## 22.4. Supplies and Materials Expenses

	2023	2022
Fuel, oil and lubricants expenses	3,616,410	4,545,995
Office supplies expenses	2,744,303	3,760,780
Semi-expendable expenses	1,776,875	3,462,918
Agricultural and marine supplies expenses	1,034,539	2,173,885
Medical, dental and laboratory supplies expenses	557,276	1,478,090
Accountable and non-accountable forms expenses	185,126	329,741
Other supplies and materials expenses	1,258,961	1,787,277
	<b>11,173,490</b>	<b>17,538,686</b>

## 22.5. Traveling Expenses

The traveling expenses account pertains to local travel incurred by the NTA. No foreign travel expenses were incurred in both CYs 2023 and 2022.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Traveling expenses account for CY 2022 is restated as follows:

	Amount
Traveling expenses, CY 2022	6,820,989
<i>Add: Adjustments on local traveling expenses</i>	<i>30,300</i>
<b>Traveling expenses, CY 2022, as restated</b>	<b>6,851,289</b>

## 22.6. Professional Services

	2023	2022
Auditing services	7,893,435	11,467,182
Consultancy services	306,000	392,000
Legal services	293,035	310,580
Other professional services	98,922	302,856
	<b>8,591,392</b>	<b>12,472,618</b>

## 22.7. Utility Expenses

	2023	2022
Electricity expenses	6,144,307	7,468,075
Water expenses	557,893	516,246
	<b>6,702,200</b>	<b>7,984,321</b>

## 22.8. Representation Expenses

Representation expenses pertain to expenses incurred by the NTA for representational or entertainment-related activities such as meetings, receptions, and other events.

## 22.9. Training and Scholarship Expenses

This account represents training expenses of the employees of the NTA.

## 22.10. Taxes, Insurance Premiums and Other Fees

	Note	2023	2022
Insurance/reinsurance expenses		3,639,128	2,247,922
Fidelity bond premiums		353,686	317,391
Taxes, duties and licenses	34.1(a)	174,883	4,839,324
Documentary stamps expenses		-	16,730
		<b>4,167,697</b>	<b>7,421,367</b>

## 22.11. Repairs and Maintenance

	2023	2022 As restated
Transportation equipment	1,713,062	1,942,391
Buildings and other structures	253,630	225,422
Machinery and equipment	217,590	232,006
Furniture and fixtures	22,390	-
Leased assets improvement	19,390	46,198
Other PPE	54,841	29,315
	<b>2,280,903</b>	<b>2,475,332</b>

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Repairs and maintenance account for CY 2022 is restated as follows:

	Amount
Repairs and maintenance, CY 2022	2,492,792
<i>Deduct: Adjustment on repairs and maintenance – transportation equipment</i>	<i>(17,460)</i>
<b>Repairs and maintenance, CY 2022, as restated</b>	<b>2,475,332</b>

## 22.12. Subscription Expenses

This account represents subscriptions of the NTA on newspapers and application software.

### 22.13. Communication Expenses

	2023	2022
Telephone expenses	1,019,310	1,104,972
Internet subscription expenses	815,177	926,723
Postage and courier services	58,097	72,065
Cable, satellite, telegraph and radio expenses	5,988	7,038
	<b>1,898,572</b>	<b>2,110,798</b>

### 22.14. Other MOOE

	2023	2022
Printing and publication expenses	606,112	1,398,737
Awards/rewards expenses	439,595	355,900
Extraordinary and miscellaneous expenses	310,264	442,720
Transportation and delivery expenses	60,982	126,549
Advertising, promotional and marketing expenses	-	2,939
Other MOOE	16,727,278	19,598,482
	<b>18,144,231</b>	<b>21,925,327</b>

Other MOOE account pertains to expenses incurred in the implementation of programs and projects of the NTA such as Synchronized Tree Planting, Gulayan at Manukan sa Barangay, VSD and TCGS under the IFOIGAP. It also includes expenses that cannot be classified to the specific expense accounts.

## 23. NON-CASH EXPENSES

The breakdown of this account is as follows:

	Note	2023	2022 As restated
Impairment loss	23.1	94,552,349	121,178,648
Depreciation	23.2	34,227,075	38,185,698
Amortization	23.3	-	371,108
		<b>128,779,424</b>	<b>159,735,454</b>

### 23.1. Impairment Loss

	Note	2023	2022
Loans and receivables	6.4	94,367,850	107,410,259
Other receivables	6.4	184,499	-
Other investments		-	13,000,000
Other assets (non-current)		-	768,389
		<b>94,552,349</b>	<b>121,178,648</b>

## 23.2. Depreciation

		2023	2022 As restated
Investment property-buildings	10	496,955	331,304
Various equipment	11	15,489,653	16,072,857
Land improvements, building and other structures	11	14,773,203	17,814,516
Furniture and fixtures, books, motor vehicles and other PPE	11	3,467,264	3,967,021
		33,730,120	37,854,394
		<b>34,227,075</b>	<b>38,185,698</b>

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Depreciation account for CY 2022 is restated as follows:

	Amount
Depreciation, CY 2022	38,556,806
<i>Deduct: Adjustment on depreciation due to reclassification of PPE to Intangible assets</i>	<i>(371,108)</i>
<b>Depreciation, CY 2022, as restated</b>	<b>38,185,698</b>

## 23.3. Amortization

The amortization for Intangible assets amounted to nil and P371,108 in CYs 2023 and 2022, respectively.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Amortization account for CY 2022 is restated as follows:

	Amount
Amortization, CY 2022	-
<i>Add: Adjustment on amortization due to reclassification of PPE to Intangible assets</i>	<i>371,108</i>
<b>Amortization, CY 2022, as restated</b>	<b>371,108</b>

## 24. DIRECT COSTS

The Direct costs account consists of the cost of the fresh meat sold at the Kadiwa ni Ani at Kita in the total amount of P153,730 in CY 2023 and P220,185 in CY 2022.

## 25. FINANCIAL EXPENSES

This account consists of the following:

	2023	2022
Interest expenses	3,233,920	-
Bank charges	48,613	4,663
	<b>3,282,533</b>	<b>4,663</b>

## 26. OTHER NON-OPERATING INCOME

This account consists of the following:

	2023	2022 As restated
Miscellaneous income	1,271,129	1,799,683
Interest income from deposits	302,479	107,133
Proceeds from insurance/indemnities	17,980	-
	<b>1,591,588</b>	<b>1,906,816</b>

The Miscellaneous income account refers to revenues generated from seminar fees, certification fees, and fees from the use of photocopy machines.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other non-operating income account for CY 2022 is restated as follows:

	Amount
Other non-operating income, CY 2022	1,920,517
Add: Adjustments on interest income from deposits	(13,701)
<b>Other non-operating income, CY 2022, as restated</b>	<b>1,906,816</b>

## 27. GAINS/LOSSES

### 27.1. Gains

This account pertains to gain on sale of PPE in the amount of P0.610 million in CY 2022.

### 27.2. Losses

	2023	2022
Loss on sale of assets	522,700	155,605
Other losses	53,950	-
Loss of assets	28,642	1,543,747
	<b>605,292</b>	<b>1,699,352</b>

Loss on sale of assets account includes losses incurred on the sale of PPE and unserviceable properties.

Other losses account pertains to the loss on the sale of beef cattle, which were loaned to farmer-beneficiaries under the BCPAP, and losses due to mortality of bamboo propagules under the Beema Bamboo Production Project, a component of the RFEFDPREIP.

Loss of assets account includes the loss on the disposal of assets in CY 2023 and the derecognition of the NTA COA Building located in Diliman, Quezon City, as a result of the demolition of the said building in CY 2022.

## 28. ASSISTANCE AND SUBSIDY

This account consists of the following:

	Note	2023	2022 As restated
Subsidy from national government	28.1	550,504,000	555,494,000
Assistance from national government agencies	28.2	-	49,008,280
		<b>550,504,000</b>	<b>604,502,280</b>

## 28.1. Subsidy from National Government

This account represents regular subsidy received from the National Government funded through the SAGF or Tobacco Fund. The NTA has P98.091 billion accumulated share from excise tax of locally manufactured Virginia type cigarette and tariff from imported leaf Virginia tobacco as of December 31, 2023, which is in the custody of the Department of Budget and Management (DBM) through the Bureau of the Treasury (BTr). Out of this fund, P550.504 million was released by the DBM to the NTA for operations and program/project implementation for Fiscal Year (FY) 2023.

## 28.2. Assistance from National Government Agencies

The NTA received the amount of P50.026 million, sourced from the QRF Program of DA Region I, to provide quick response to tobacco farmers in Region I who were affected by freak rains in Tobacco Crop Years 2021-2022.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Assistance from national government agencies account for CY 2022 is restated as follows:

	<b>Amount</b>
Assistance from national government agencies - DA, CY 2022	50,026,100
<i>Deduct: Adjustment due to refund of the unutilized QRF to the DA</i>	<i>(1,017,820)</i>
<b>Assistance from national government agencies - DA, CY 2022, as restated</b>	<b>49,008,280</b>

## 29. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

	<b>Note</b>	<b>2023</b>	<b>2022 As restated</b>
Deficit for the period		(36,673,889)	(27,844,967)
Non-cash (income)/expenses:			
Impairment loss	23.1	94,552,349	121,178,648
Depreciation	23.2	34,227,075	38,185,698
Amortization	23.3	-	371,108
Gains	27.1	-	(610,450)
Losses	27.2	605,292	1,699,352
Interest income	20.2	(2,839,783)	(4,120,190)
(Increase)/decrease in asset accounts:			
Receivables		(72,792,146)	(32,729,878)
Intra-agency receivables		547,927	-
Inventories		30,483,689	(26,927,820)
Investment property		-	(10,130,921)
PPE		(1,914,035)	-
Other current assets		(660,925)	(7,704,732)
Other non-current assets		(137,245)	-
Increase/(decrease) in liability accounts:			
Financial liabilities		179,439,746	(47,736,269)
Inter-agency payables		(724,266)	1,676,161
Intra-agency payables		-	(3,904,740)
Provisions		(5,670,062)	7,557,069
Deferred credits/unearned revenue/income		12,198,644	-
Other payables		(8,514,959)	1,223,411
Adjustments due to prior period errors	32.1	(91,808,404)	25,776,307
		<b>130,319,008</b>	<b>35,957,787</b>

## **30. RELATED PARTY TRANSACTIONS**

### **30.1. Related Party Transactions**

For CYs 2023 and 2022, the NTA does not have dealings with related parties involving transfer of resources and obligations.

### **30.2. Key Management Personnel**

The key management personnel of the NTA are the Administrator/CEO, two (2) Deputy Administrators, and the Department Managers.

The NTA Governing Board consists of the Secretary of the DA as an ex-officio Chairman, the Administrator/CEO as Vice Chairman and the five (5) board members representing the different sectors of the tobacco industry namely: one representative from the tobacco trader/exporter sector, one representative from the tobacco manufacturing sector, two representatives from tobacco farmer sector, and one representative from the academic community sector. All are appointed by the President of the Philippines. The Secretary of the DA or his authorized representative who acts as ex-officio Chairman of the Board is not remunerated by the NTA.

### **30.3. Key Management Personnel Transactions**

The six out of eight members of the NTA Governing Board including the Administrator/CEO receive per diems of P10,000 per board meeting attended and P6,000 per committee meeting attended. The aggregate remuneration of the Administrator/CEO who is part of the organization's structure/plantilla and on a full-time equivalent basis includes the following:

	<b>Aggregate remuneration</b>
Salaries and wages	2,009,183
Other compensation	669,135
Other personnel benefits	112,884
	<b>2,791,202</b>

## **31. GOVERNMENT EQUITY**

This account with balances amounting P411.648 million and P411.507 million as at December 31, 2023 and 2022, respectively, includes property received through donation/grant from government agencies and non-governmental organizations.

### **31.1. Capital Management**

The primary objective of the NTA's capital management is to ensure that the resources of the Agency are geared towards the attainment of its mandate and the implementation of its objectives through the programs to be undertaken for the promotion and advancement of the tobacco industry with the participation of the private sector and for the improvement of the working conditions of the tobacco farmers/traders.



With the infusion of government financial subsidy for the various programs, activities and projects (PAPs), the NTA maintains a sufficient level of working capital to meet its expenses and a sufficient cash flow to meet emergency and unexpected expenditures.

The NTA maintains a separate bank account for restricted cash on the subsidy released from RA No. 4155 for projects funded. This account is not commingled with the regular accounts since the releases have a specific purpose.

The NTA is not subject to externally imposed capital requirements.

### 32. ACCUMULATED SURPLUS/(DEFICIT)

	Note	Amount
Accumulated surplus/(deficit), January 1, 2022, as restated		1,079,245,495
Adjustments due to prior period errors for CY 2022	32.1	25,776,307
Deficit for CY 2022		(37,045,318)
Add/(deduct) restatements on:		
Service income	20.1	11,201,134
Personnel services		
Salaries and wages	21.1	(1,006,886)
Other compensation	21.2	(180,233)
Personnel benefit contributions	21.3	139,313
Other personnel benefits	21.4	(31,000)
Maintenance and other operating expenses		
Financial subsidy	22.1	122,384
Traveling expenses	22.5	(30,300)
Repairs and maintenance	22.11	17,460
Other non-operating income	26	(13,701)
Assistance from national government agencies	28.2	(1,017,820)
Total restatements		9,200,351
Deficit for CY 2022, as restated		(27,844,967)
<b>Accumulated surplus/(deficit), December 31, 2022, as restated</b>		<b>1,077,176,835</b>
Adjustments due to prior period errors for CY 2023	32.1	(91,808,404)
Deficit for CY 2023		(36,673,889)
<b>Accumulated surplus/(deficit), December 31, 2023</b>		<b>948,694,542</b>

#### 32.1. Adjustments due to prior period errors

	2023	2022
Impairment of receivables	193,363	21,056,932
MOOE	40,262	(3,310,560)
Impairment of other non-current assets	-	(394,221)
Depreciation	-	5,331,269
Gains	-	895,750
Disallowances	-	627,603
Accountable forms inventory	-	9,969
Miscellaneous income	(9,436)	2,801
Personnel services	(40,248)	1,556,764
Derecognition of PPE due to the increase of capitalization threshold	(4,377,178)	-
Recognition of interest incurred in arrears	(87,615,167)	-
	<b>(91,808,404)</b>	<b>25,776,307</b>

### 33. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2023 is the proposed Corporate Operating Budget (COB) for the year 2023 and is submitted to the DBM for review/evaluation while the final budget is the amount approved by the DBM on March 23, 2023. The proposed/original COB is prepared considering: (a) the NTA's various PAPs in the pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) the actual expenses for previous years; and (d) the effects of inflation.

### 34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

#### 34.1. Revenue Regulations (RR) No. 15-2010

The RR No. 21-2002 prescribing additional and/or documentary requirements in connection with the preparation and submission of financial statements accompanying Income Tax Returns (ITR) was amended under RR No. 15-2010. The amendment that took effect on December 28, 2010 requires the inclusion in the Notes to Financial Statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under IPSASs and such other standards and/or conventions.

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

#### a. Taxes and licenses

	<b>Amount</b>
LTO Registration	84,886
Mayor's permit fees/business permits	20,230
Tax on interest income	57,285
Documentary stamp taxes	3,902
BIR annual registration fees	2,000
Lot assessment for the release of lot title	6,580
	<b>174,883</b>

#### b. Withholding taxes for CY 2023

	<b>Withheld</b>	<b>Remitted</b>	<b>Balance</b>
Tax on compensation	14,642,296	12,363,212	2,279,084
Expanded withholding tax	3,829,954	3,377,379	452,575
Withholding tax on VAT	6,382,696	5,610,447	772,249
Withholding tax on government money payments	117,625	94,937	22,688
	<b>24,972,571</b>	<b>21,445,975</b>	<b>3,526,596</b>

The balance as at December 31, 2023 in the total amount of P3.527 million includes withholding taxes on creditable income of P0.772 million, VAT and tax on compensation of P2.279 million which was remitted to the BIR on various dates in January 2024.

**c. Tax case**

The NTA has no tax case as of December 31, 2023.

**34.2. RR No. 19-2011**

The RR No. 19-2011 was issued to prescribe the new BIR forms that will be used for filing Income Tax covering and starting with December 31, 2011. In the case of the entities using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements (AFS) the schedules and information on taxable income and deductions to be taken which will be attached to the ITR.

The information is presented for the purposes of filing with the BIR and is not required as part of the basic financial statements.

The following are the schedules prescribed under existing revenue issuances applicable to the NTA as of December 31, 2023.

**a. Service and business income**

	Per AFS	Per ITR
Service income	141,436,172	141,436,172
Business income	4,646,218	4,646,218
	<b>146,082,390</b>	<b>146,082,390</b>

**b. Assistance and subsidy**

	Per AFS	Per ITR
Subsidy from national government	550,504,000	550,504,000
	<b>550,504,000</b>	<b>550,504,000</b>

**c. Non-operating and taxable other income**

	Per AFS	Per ITR
Other non-operating income	1,591,588	1,591,588
	<b>1,591,588</b>	<b>1,591,588</b>

**d. Allowable deductions**

	Per AFS	Per ITR
Personnel services	237,555,381	237,555,381
Maintenance and other operating expenses	364,475,507	364,475,507
Non-cash expenses	128,779,424	128,779,424
Direct costs	153,730	153,730
Financial expenses	3,282,533	3,282,533
Losses	605,292	605,292
	<b>734,851,867</b>	<b>734,851,867</b>

### 35. COMPLIANCE WITH GSIS LAW, RA No. 8291

The total employees' and government's shares remitted to GSIS for CY 2023 are as follows:

	Withheld	Remitted	Balance
Life and retirement premiums, employees' shares and loans	26,902,100	24,792,468	2,109,632
Government share	-	16,665,021	-
	<b>26,902,100</b>	<b>41,457,489</b>	<b>2,109,632</b>

### 36. OTHER SIGNIFICANT MATTERS

RA No. 6758, which took effect on July 1, 1989, provides for the consolidation of allowances and additional compensation into the standardized salary rates. However, certain additional compensation is exempted from consolidation.

With the non-compliance to the requirements for the effectivity of the issuance of DBM Corporate Compensation Circular No. 10, the guidelines in implementing said law, the Supreme Court (SC) declared on August 12, 1998 in G.R. No. 109023 (*De Jesus vs. COA*) that said guidelines were ineffective. Thus, allowances such as Cost of Living Allowance (COLA) and Amelioration Allowance were not integrated into the standardized salaries of government employees.

As to the matter of whether there was non-integration or integration raged on, the SC further promulgated on September 6, 2005 in G.R. No. 160386 (*PPA vs. COA*) that "all not only incumbents as of July 1, 1989 should be allowed to receive back pay corresponding to said benefits, from July 1, 1989 to the new effectivity date of DBM Corporate Compensation Circular No. 10 - March 16, 1999."

Since the NTA is similarly situated as the PPA, the NTA employees manifested and asserted their entitlement to COLA back pay during the period in dispute pursuant to the two (2) aforementioned SC decisions. The computation of the entitlement is estimated to amount to P200 million or approximately 21.08 per cent of the accumulated surplus of P948.695 million as at December 31, 2023.

The NTA is also a party to various legal proceedings that arise in the ordinary course of operations. The subject of litigation for seven (7) cases involves the real property in Paco, Manila, registered in the name of PVTA, a defunct tobacco agency merged to the NTA. Legal advice obtained indicates that it is unlikely that any significant liability will arise. One case involves the disputed property located in Pugad Lawin, Las Piñas City, which is recorded in the Investment property account, registered in the name of PVTA. Court decisions are on appeal to the Court of Appeals and are still pending resolution. Legal advice obtained also indicates that it is unlikely that any significant liability will arise.

## **PART II - OBSERVATIONS AND RECOMMENDATIONS**

## PART II – OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. **The Revenue–Service and business income–Service income–Supervision and regulation enforcement fees (SREF)–Monitoring fees, Accumulated surplus/(deficit) and Accounts receivable accounts were understated in the amounts of P171.811 million, P192.372 million, and P364.183 million, respectively, due to non-recognition of revenue derived from tobacco importers, exporters and transshippers as a result of the non/improper imposition of monitoring fees from tobacco importers, exporters, and transshippers in the total amounts of P171.811 million in Calendar Year (CY) 2023 and P192.372 million in CY 2022, contrary to Paragraph 19 of International Public Sector Accounting Standard (IPSAS) 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.**

- 1.1. Paragraph 19 of IPSAS 9 – *Revenue from Exchange Transactions* provides that:

*When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:*

- (a) *The amount of revenue can be measured reliably;*
  - (b) *It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;*
  - (c) *The stage of completion of the transaction at the reporting date can be measured reliably; and*
  - (d) *The costs incurred for the transactions and the costs to complete the transaction can be measured reliably.*
- 1.2. Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements* defines, among others, accrual basis as a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.
  - 1.3. The Revenue–Service and business income–Service income–SREF account as presented in Note 20.1 to Financial Statements for the years ended December 31, 2023 and 2022 amounted to P100.205 million and P102.408 million, respectively, breakdown in Table 1.

**Table 1 – Composition of Revenue–Service and business income–  
Service income-SREF account for CYs 2023 and 2022**

<b>Particulars</b>	<b>2023</b>	<b>2022</b>
Monitoring fees	P 62,645,326	P 62,134,653
Research and regulation (R&R) fees	27,624,684	27,270,500
Competitive enhancement fees (CEF)	9,934,740	13,003,224
	<b>P 100,204,750</b>	<b>P 102,408,377</b>

- 1.4. Under the sole authority of the NTA to administer and regulate the Philippine tobacco industry vested under Executive Order (EO) No. 245 dated July 24, 1987, rules and regulations were issued by the NTA for the imposition of various regulatory fees such as monitoring, processing and inspection fees from tobacco importers, exporters, and transshippers.
- 1.5. Section 3.14 of NTA Memorandum Circular (MC) No. 002, Series of 2020 dated October 15, 2020 provides that:

***Monitoring, Regulation, Supervision and/or Evaluation Fee*** [“Monitoring Fee” for brevity] – *refers to the fee imposed by the NTA for the monitoring, regulation, supervision and/or evaluation of the exportation and importation of unmanufactured leaf tobacco, manufactured tobacco products, tobacco related supplies, materials and ingredients.*

- 1.6. The rates of the monitoring fees imposed by the NTA from tobacco exporters and importers for every exportation and importation of tobacco leaf, tobacco products, other tobacco-related materials, spare parts and ingredients are indicated under Section 5.3 of the NTA MC No. 002, Series of 2020, as amended by NTA MC No. 001, Series of 2022 dated August 15, 2022. Based on these NTA MCs, the rates of monitoring fees imposed by the NTA, are as follows:

<b>a. For Legitimate Local Manufacturers Not Buying Locally Grown Leaf Tobacco:</b>	
<b>a. 1. Manufactured Tobacco</b>	
<b>a.1.1. Export</b>	
a. Cigarette/HTPs [Heated Tobacco Products]	Php12.00/case
b. Cigar	0.12/pc
c. Snuff/Cheroot/Chewing and the likes	0.12/pc
d. Other Tobacco Related Materials, Supplies and Ingredients	0.10/kilo
<b>a.1.2. Import</b>	
a. Cigarettes/HTPs	Php30.00/case
b. Cigar	0.24/pc
c. Snuff/Cheroot/Chewing and the likes	0.24/pc
d. Snus/Nicotine Pouch	0.003/pc
e. Other Tobacco Related Materials, Supplies and Ingredients	3.00/kilo

<b>a. 2. Unmanufactured Tobacco</b>		
a.2.1. <u>Export</u>		
a. Raw Leaf		0.12/net kg
a.2.2. <u>Import</u>		
a. Raw Leaf		1.02/net kg
b. Partially Processed Tobacco		3.60/net kg
c. Unmanufactured & wholly and/or partially processed leaf tobacco		0.30/net kg
<b>b. For Legitimate Local Tobacco Manufacturers/Processors Buying Locally Produced Tobacco</b>		
<b>b.1. Manufactured Tobacco</b>		
b.1.1. <u>Export</u>		
a. Cigarette		Php12.00/case
b. Cigar/Snus/Snuff/pipe/chewing and the likes		0.24/piece
c. Other Tobacco Related Materials, Supplies and Ingredients		0.10/kilo
b.1.2. <u>Import</u>		
a. Cigarettes/HTPs		30.00/case
b. Cigars/Snuff/Pipe/Chewing and the likes		0.12/piece
c. Snus/Nicotine Pouch		0.003/pc
d. Other Tobacco Related Materials, Supplies and Ingredients		0.10/kilo
<b>c. For PEZA [Philippine Economic Zone Authority] Locators</b>		
<b>c.1. Manufactured Tobacco</b>		
c.1.1. <u>Export</u>		
a. Other Tobacco Related Materials, Machine/ Spare parts and Ingredients		Php 0.10/kilo
c.1.2. <u>Import</u>		
a. Cigarettes		Php12.00/case
b. Other Tobacco Related Materials, Machine/ Spare parts and Ingredients		0.50/kilo
<b>c.2. Unmanufactured Tobacco</b>		
c.2.1. <u>Import</u>		
a. PEZA-registered locators (semi-processed), excluding local manufacturers		0.60/kilo

- 1.7. As stated under Section 5 of NTA MC No. 002, Series of 2020, importers, exporters and transshippers of tobacco and other tobacco-related materials and ingredients shall secure from the NTA, for every shipment, the Import Commodity Clearances (ICCs), Export Commodity Clearances (ECCs), and Transshipment Commodity Clearances (TCCs) at least three (3) working days prior to the date of unloading or loading of the commodity and pay the corresponding monitoring fees and other regulatory fees.



Moreover, said commodity clearances are requirements by the Bureau of Customs (BOC) for the importation, exportation, and/or transshipment of tobacco commodities.

- 1.8. Audit of the Revenue–Service and business income–Service income–SREF-Monitoring fees account disclosed that the monitoring fees on the importation, exportation, and transshipment of tobacco products and other related materials amounting to P171.811 million in CY 2023 and P192.372 million in CY 2022 or in the total amount of P364.183 million (Table 2) were not imposed and/or improperly imposed from tobacco importers, exporters, and transshippers, contrary to NTA MC No. 002, Series of 2020, as amended by NTA MC No. 001, Series of 2022 dated August 15, 2022 on the imposition of monitoring and other regulatory fees. As a result, the corresponding revenue was not recognized in the books of accounts, which is not in consonance with Paragraph 19 of IPSAS 9 and Paragraph 7 of IPSAS 1.

**Table 2 – Unrecognized Revenue in CYs 2023 and 2022  
From Non/Improper Imposition of Monitoring Fees**

	2023	2022	Total
<b>Non-imposition of monitoring fees</b>			
I. Four (4) Members of the PTI	P 19,832,420	P 22,781,682	P 42,614,102
<b>Improperly imposed monitoring fees</b>			
I. Four (4) Members of the PTI	150,430,518	169,521,769	319,952,287
II. Ten (10) Non-Members of the PTI	1,548,473	68,530	1,617,003
	151,978,991	169,590,299	321,569,290
	<b>P 171,811,411</b>	<b>P 192,371,981</b>	<b>P 364,183,392</b>

*PTI – Philippine Tobacco Institute*

- 1.9. According to the NTA Chief Tobacco Production and Regulation Officer (TPRO), Tobacco Products Regulation Division (TPRD), Regulation Department, the exemption from the payment of monitoring fees has been granted to the members of the PTI.
- 1.10. Meanwhile, verification and analysis of the reports submitted by the Regulation Department revealed that the monitoring fees in the amounts of P151.979 million and P169.590 million were not properly imposed and collected in CYs 2023 and 2022, respectively, from the tobacco importers, exporters, and/or transshippers, which could be attributed to the following: (a) insufficient monitoring fees imposed from tobacco importers, exporters, and transshippers; (b) rates of monitoring fees used by the Regulation Department in billing the amount of monitoring fees due were lower than the prevailing rates prescribed under NTA MCs; and (c) non-reconciliation of records between the Accounting Division and the Regulation Department particularly on the imposition of monitoring fees, resulting in the lack of checks and balances between the two Offices.
- 1.11. The Department Manager of the Regulation Department informed that a Compromise Agreement was entered into by and between the NTA and the members of the PTI which essentially stipulated that the members thereof are exempted from the payment of selected monitoring fees, and,

consequently, from the payment of inspection fees. Instead, they shall pay CEF which are imposed on cigar/cigarette manufacturers (CMs) for actual purchases of locally grown tobacco to support the production of quality Philippine tobacco.

- 1.12. However, review of the various MCs issued by the NTA relative to the imposition of monitoring fees and other regulatory fees disclosed that there are no available rules and regulations regarding the exemption of tobacco importers, exporters, and/or transshippers from the payment of said fees. Thus, in the absence of any legal basis or evidence regarding the exemption from the payment of monitoring fees, the Audit Team believes that the NTA has to enforce the prevailing rules and regulations prescribed under various NTA MCs according to its regulatory authority vested under EO No. 245 dated July 24, 1987.
- 1.13. The Chief TPRO, TPRD and Officer-in-Charge (OIC) of Tobacco Leaf Regulation Division, both from the Regulation Department, clarified that the importation of cigarettes by some members of the PTI is not totally exempted from the payment of monitoring fees. The members of the PTI are charged with the following monitoring fees: (a) P12.00 for every case of cigarettes imported; and (b) if the member of the PTI is not buying locally-grown leaf tobacco, an additional P3.00, or P0.50, if registered with the PEZA, for importation and P0.10 for exportation of other tobacco-related materials, supplies, and ingredients. Moreover, they are exempted from the payment of monitoring fees for the importation, exportation, and/or transshipment of other commodities.
- 1.14. However, it is emphasized that nowhere in the NTA MCs and the rules and regulations issued by the NTA that such fees are imposed. Instead, the prevailing NTA MC No. 001, Series of 2022 dated August 15, 2022 provides that the monitoring fees for the importation of cigarettes amount to P30.00 per case.
- 1.15. On the other hand, the Chief Accountant informed that the Statement of Account (SOA) issued to bill the monitoring fees to be paid by the tobacco importer, exporter, and/or transshipper for the issuance of the ICC, ECC, and/or TCC, is prepared by the Regulation Department. Thus, the non-imposition and/or improper imposition of monitoring fees by the Regulation Department resulted in the non-recognition or improper recognition of revenue by the Accounting Division.
- 1.16. The non/improper imposition of monitoring fees resulted in the understatement of the following accounts: Revenue–Service and business income–Service income–SREF–Monitoring fees by P171.811 million, Accumulated surplus/(deficit) by P192.372 million, and Accounts receivable by P364.183 million. Likewise, it deprived the Agency of the additional cash flow resources/revenue had the monitoring fees been properly imposed and collected.

1.17. **We recommended that Management:**

**a. Direct the Regulation Department to:**

- a.1. In coordination with the Legal Officer, provide the Audit Team with the legal bases/criteria for exempting selected tobacco companies from paying the NTA monitoring fees, otherwise, compute and impose the proper monitoring fees retroactively from the period when these tobacco companies were no longer charged with monitoring fees up to present;**
- a.2. Coordinate with the Finance Department for the recording and billing of the monitoring fees that were not imposed/improperly imposed for CY 2023 and prior years; and**
- a.3. Strictly adhere to existing rules and regulations, particularly the MCs issued by the NTA, on the imposition of the monitoring fees and other regulatory fees on the importation, exportation, and/or transshipment of manufactured and unmanufactured tobacco products and other related materials;**

**b. Require the Accounting Division to prepare the necessary adjusting entries to: (i) recognize the unrecorded monitoring fees; and (ii) correct the recorded amount of monitoring fees that were improperly imposed on tobacco importers, exporters, and/or transshippers, to fairly present the accounts affected in the financial statements as at and for the years ended December 31, 2023 and prior years; and**

**c. Instruct the Regulation Department and Finance Department to formulate a process/internal control where the completeness and correctness of fees imposed by the Regulation Department will be checked by the Finance Department - Accounting Division, to establish proper checks and balances.**

1.18. In a letter dated May 17, 2024, Management pointed out, among others, the following matters on the non/improper imposition of revenue derived from monitoring fees:

- a. On March 25, 2004, the NTA promulgated the Rules and Regulations Governing the Importation and Exportation of Leaf Tobacco, Tobacco Products, and Other Tobacco-Related Supplies, Materials, and Ingredients (referred to as the E/I Rules) as implemented by MC Nos. 001 and 003, Series of 2004, which covered all entities involved in exporting and importing leaf tobacco, tobacco products, and other tobacco-related supplies, materials, and ingredients, irrespective of classification.

- b. However, sometime in CY 2004, the PTI and one of its member-companies filed a civil case against the NTA, with the Department of Agriculture and the BOC as nominal respondents, assailing the authority of the NTA to issue and implement the E/I Rules, including the fees imposed to the members of the PTI.
- c. On December 18, 2004, the NTA, PTI, one of the PTI member-companies and other affected parties entered into an out-of-court settlement as evidenced by the Minutes of the Meeting, which provides, among others, that:
  - i. The NTA shall amend MC Nos. 001 and 003, Series of 2004;
  - ii. The NTA shall not conduct any inspection or monitoring of the tobacco imports and exports of the members of the PTI, hence no monitoring and inspection fees shall be charged/collected by the NTA from the members of the PTI;
  - iii. The non-PTI members (not buying locally grown leaf tobacco) shall not enjoy the exemption;
  - iv. The members of the PTI shall only pay: (1) licensing fees; (2) ECC and ICC fees; (3) Certificate of Origin/Authenticity fees; and (4) monitoring fees for import of cigarettes;
  - v. The PTI members with satellite local buying stations shall pay Additional R&R Fees (now called CEF) for the volume of leaf tobacco delivered to the members of the PTI; and
  - vi. All monitoring fees from importation and exportation previously paid by one of the PTI members shall be treated as advances from which the additional R&R fees shall be deducted until fully consumed.
- d. By virtue of the aforementioned agreement, the NTA amended the rules and MCs to exclude the members of the PTI and other domestic manufacturers from the imposition of supervision, monitoring, and inspection fees on importation, except for the importation of cigarettes and the importation and exportation of cigars.
- e. The exemption from the payment of monitoring, supervision and inspection fees of the members of the PTI, or for the account of the PTI members, was in accordance with the Compromise Agreement between the NTA and the PTI, and that the subsequent amendments of the E/I Rules were duly approved by the NTA Governing Board and implemented by the NTA Management through the issuance of several MCs.

- f. The improper imposition of monitoring fees from the non-members of the PTI attributed to the incorrect amounts inadvertently entered by the processors of the Regulation Department in Google Forms due to the juggling of numbers and inaccurate placement of decimal points.
  - g. The Regulation and Finance Departments will coordinate to reconcile the collection of monitoring fees and other regulatory fees as well as improve the recording system of collections to enhance checks and balances on the accuracy of fees collected.
- 1.19. In response thereto, the Audit Team reiterated, through a letter dated May 24, 2024, its prior request for a copy of the aforesaid Compromise Agreement to determine whether the same is in accordance with Section 36 of Presidential Decree (PD) No. 1445 and Section 20(1), Chapter IV, Subtitle B, Title I, Book V of EO No. 292, Series of 1987, which emphasize that the authority to enter into a Compromise Agreement lies with the Commission on Audit (COA), with the approval of the President, or Congress, as the case may be.
- 1.20. In reply, Management, in a letter dated May 27, 2024, informed that, upon coordination with the Counsel of the PTI, there was no Compromise Agreement entered or signed by the parties [thus, retracting their initial position]. Instead, a Joint Motion (To Withdraw/Dismiss Complaint and Counterclaim) of Civil Case No. 04-1160 was filed before the Regional Trial Court of Makati City-Branch 145 on the issuance of the NTA of the amended MCs, hence, the partial exemption of the PTI members was implemented by the amendments of the NTA rules and MCs and does not fall under the term “compromise agreement”. Likewise, Management asserted that the implementation of the exemption of the PTI members was approved by the NTA Governing Board under its Resolution Nos. 078-2005, 079-2005, and 080-2005 based on the powers and functions vested under Section 6 of EO No. 245 dated July 24, 1997, as the policy-making body of the NTA to formulate policies, promulgate regulations, and prescribe rules for the Agency.
- 1.21. As rejoinders, the Audit Team maintains its observations and recommendations on the non/improper imposition of monitoring fees, in the absence of a legal basis/criteria or evidence relative to the grant of exemption to the members of the PTI. The only document presented by the NTA to the Audit Team regarding the exemption of the members of the PTI is the Minutes of the Meeting dated December 18, 2004, signed by the NTA represented by its former Administrator, and one PTI member. Likewise, Board Resolution Nos. 078-2005 and 079-2005 issued by the NTA Governing Board are merely approval on the request of Management to amend the various MCs relative to the payment of regulatory fees and the E/I Rules, respectively. Furthermore, the approval of the Board of Directors (BOD) on the request of Management that monitoring, regulation, supervision and/or evaluation fees collected by the NTA from one of the PTI members shall be off-set/credited against its future payments was resolved under Board Resolution No. 080-2005.

*Other observation on Revenue–Service and business income–Service income-SREF–Monitoring fees account*

- 1.22. The faithful representation and verifiability of the Revenue–Service and business income–Service income-SREF-Monitoring fees account for CYs 2023 and 2022 amounting to P62.645 million and P62.135 million, respectively, were not established due to the absence of a detailed schedule of monitoring fees imposed from tobacco importers, exporters and transshippers to support the General Ledger (GL) balance. On the other hand, comparison of the GL balance against the schedule of monitoring fees collected, prepared by the Regulation Department, in the total amounts of P64.094 million in CY 2023 and P63.494 million in CY 2022 showed variances of P1.449 million in CY 2023 and P1.359 million in CY 2022 which remained unreconciled at year-end.
  - 1.23. Inquiry with the Accounting Division personnel revealed that the variances may be attributed to the unrecorded income from the application of customer deposits or deferred revenue, which were advanced by the tobacco companies as payment for various regulatory fees, including monitoring fees.
  - 1.24. However, said reconciling item could not be verified and validated by the Audit Team due to the absence of a detailed schedule that should have been maintained by the Accounting Division to support the GL balance of Revenue–Service and business income–Service income-SREF–Monitoring fees account.
  - 1.25. **We recommended and Management agreed to require the Accounting Division to maintain a detailed schedule for monitoring fees to support the GL control account to ensure that all transactions are properly recorded and accounted for.**
  - 1.26. **We also recommended that Management instruct the Regulation Department and Accounting Division to reconcile the records of the tobacco importers, exporters, and/or transshippers, determine the cause/s of the variances, and adjust/correct the appropriate record/s to come up with reliable and reconciled balances of the monitoring fees.**
2. **The Financial liabilities account was overstated by P10.252 million while the Accumulated surplus/(deficit) and Interest expenses accounts were understated by P12.816 million and P2.564 million, respectively, in view of the: (a) accrual of personnel benefits in the total amount of P16.050 million despite the absence of a valid authority from the Governance Commission for Government Owned or Controlled Corporations (GCG) for the grant of Performance-Based Bonus (PBB) to NTA’s officials and employees and Performance-Based Incentive (PBI) to its appointive BOD, contrary to Paragraph 19 of IPSAS 39 – *Employee Benefits* and Paragraphs 5.14 and 5.15 of the Conceptual Framework for General Purpose Financial Reporting by**

Public Sector Entities (CFGPFRPSE); and (b) non-recording of Interest expense amounting to P5.798 million incurred in CY 2023 and incorrect recording of Interest expense amounting to P3.234 million in CY 2022 on the long-term Notes payable to the Philippine Deposit Insurance Corporation (PDIC), contrary to Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.

2.1. As at December 31, 2023, the Financial liabilities account had a balance in the total amount of P371.849 million, the composition of which is shown in Table 3.

**Table 3 – Composition of Financial Liabilities Account as at December 31, 2023**

Account	Balance
Accounts payable	P 196,509,363
Interest payable	90,849,087
Due to officers and employees	5,760,981
Notes payable	78,729,152
	<b>P 371,848,583</b>

2.2. Audit of the Financial liabilities account disclosed the following observations:

*Accrual of personnel benefits in the total amount of P16.050 million despite the absence of a valid authority from the GCG for the grant of PBB and PBI to the officials, employees, and appointive BOD*

2.3. Paragraph 19 of IPSAS 39 – *Employee Benefits* provides:

*An entity shall recognize the expected cost of profit-sharing and **bonus payments** under paragraph 11 when, and only when:*

- a. The entity has a **present legal or constructive obligation** to make such payments as a result of past events; and*
- b. A reliable estimate of the obligation can be made.*  
[emphasis supplied]

2.4. Liability is defined under Paragraph 5.14 of the CFGPFRPSE as a present obligation of the entity for an outflow of resources that results from a past event. Further, Paragraph 5.15 thereof provides, among others, that, obligations are not present obligations unless they are binding and there is little or no realistic alternative to avoid an outflow of resources.

2.5. Examination of the Financial liabilities - Accounts payable account with a balance of P196.509 million as at December 31, 2023 revealed that liabilities in the aggregate amount of P16.050 million were already

recognized in the books of accounts for the payment of PBB of the NTA officials and employees in the total amount of P11.819 million, as well as, PBI of the appointive BOD amounting to P4.231 million, both for Fiscal Years (FYs) 2021 and 2022, as shown in Table 4.

**Table 4 – PBB and PBI Accrued as at December 31, 2022 and 2021**

Period Covered	Amount		
	PBB	PBI	Total
2021	P 6,009,434	P 1,677,000	P 7,686,434
2022	5,809,648	2,553,600	8,363,248
	<b>P 11,819,082</b>	<b>P 4,230,600</b>	<b>P 16,049,682</b>

2.6. However, the recognition of the accrued liability in the books of accounts is not in conformity with Paragraph 19 of IPSAS 39 and Paragraphs 5.14 and 5.15 of the CFGPFRPSE. In addition, the NTA was not able to fully satisfy the criteria and conditions provided under the various MCs issued by the Inter-Agency Task Force (IATF) on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems for PBB and the GCG for PBI, as listed in Table 5, to be eligible for the grant of such personnel benefits.

**Table 5 – Legal Bases for the Grant of PBB and PBI in FYs 2021 and 2022**

PBB/PBI Covered	MC No.	Date of MC
2021	IATF MC No. 2021-1	June 3, 2021
2021	IATF MC No. 2021-2	October 25, 2021
2022	IATF MC No. 2022-1	March 24, 2022
2021 and years thereafter	GCG MC No. 2021-01	January 28, 2021
2021 and years thereafter	GCG MC No. 2021-02	September 6, 2021

2.7. Likewise, the PBB Status of the NTA for FYs 2021 and 2022 as of April 5, 2024, posted on the website of the GCG disclosed that the Agency is still ineligible for the grant of PBB and PBI for the applicable years given the Agency's non-compliance with the various criteria and conditions provided under the aforementioned IATF and GCG MCs.

2.8. Inquiry with the Accounting Division personnel revealed that the PBB was recorded at year-end based on the calculations provided by the Corporate Planning Department which is handling the PBB application of the NTA, although there is no guarantee of the approval of their application.

2.9. On August 30, 2023, the NTA received the result of the validation of their Performance Scorecard for FY 2022, where they obtained an overall score of 85.80 per cent which is below the required score of 90.00 per cent per GCG MC No. 2021-02. Subsequently, NTA filed an appeal on the validated result of their Performance Scorecard and no response was received by the NTA from the GCG, to date.

2.10. In view of the foregoing, the NTA has no present obligation to pay the personnel benefits in the absence of authorization from the GCG to grant



PBB to the NTA officers and employees, as well as, PBI to the appointive BOD for FYs 2021 to 2022, hence, the recording thereof in the books of accounts overstated the Accounts payable account and understated the Accumulated surplus/(deficit) account both by P16.050 million.

*Non-recording of Interest expense amounting to P5.798 million incurred in CY 2023 and incorrect recording of Interest expense amounting to P3.234 million in CY 2022 on the long-term Notes payable to the PDIC*

- 2.11. This is a reiteration with updates of the prior years' observation on the issue in the recording of interest on the long-term Notes payable to the PDIC.
- 2.12. Under Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*, the accrual basis of accounting requires that transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Hence, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.
- 2.13. Note 3.1 – *Basis of Accounting* to Financial statements of the NTA as at/for the years ended December 31, 2023 and 2022 provides:

*The NTA's financial statements are prepared on accrual basis in accordance with the IPSASs.*

- 2.14. Records disclose that the interest in the aggregate amount of P90.849 million on long-term Notes payable through the Omnibus Credit Line of the NTA with the Philippine National Bank (PNB) under Credit Agreement dated June 24, 1996, which was transferred by the PNB to the PDIC by way of *dacion en pago* Agreement on July 30, 2002 was not recognized in the books of accounts of the NTA as of December 31, 2022.
- 2.15. In compliance with the recommendation incorporated in the Annual Audit Report (AAR) on the NTA for the years ended December 31, 2022 and 2021, Management recognized on July 3, 2023 the interest on the Notes payable in the total amount of P90.849 million pending the request of the NTA for renegotiation on lowering the interest rate and condonation of penalties and the proposal for the loan restructuring is still being evaluated by the PDIC.
- 2.16. However, review of the Journal Entry Voucher (JEV) drawn to record the interest in the amount of P90.849 million revealed that while the interest payable was correctly recorded under Financial liabilities-Interest payable account, the interest expense incurred in CY 2022 in the amount of P3.234 million was reflected as interest expense in CY 2023 and only P87.615 million was recorded as an increase to the balance of the Accumulated surplus/(deficit) account.

- 2.17. Furthermore, on February 5, 2024, the PDIC billed the NTA for the principal loan amount of P78.279 million, as well as, unpaid interest of P96.647 million as of December 31, 2023 and penalty charges from October 1, 2001 to December 31, 2023 amounting to P213.251 million.
- 2.18. Review of the Interest payable account, however, revealed that the interest expense incurred for CY 2023 amounting to P5.798 million [P96.647 million – P90.849 million] was neither accrued in the books of accounts nor disclosed in the Notes to Financial Statements of the NTA, thus, the Interest payable and Interest expense accounts were both understated by P5.798 million, contrary to Paragraph 7 of IPSAS 1.
- 2.19. According to the personnel of the Accounting Division, the recording of the interest expense and payable is dependent on the billing received from the PDIC and since the NTA was only billed on February 5, 2024, they were unable to record the Interest expense and Payable in CY 2023.
- 2.20. The financial statements of the NTA, however, are prepared on accrual basis in accordance with the IPSASs, as disclosed in the summary of significant accounting policies in Note 3.1 to Financial Statements. As such, the interest expense of P3.234 million in CY 2022 should have been recorded under Accumulated surplus/(deficit) account, while the interest payable of P5.798 million should have been accrued in the period when the interest expense was incurred in CY 2023. Hence, the understatement of Interest payable account by P5.798 million and the Interest expense account by P2.564 million as well as overstatement of the Accumulated surplus/(deficit) account by P3.234 million.
- 2.21. Table 6 summarizes the misstatements on the accounts affected due to the foregoing audit observations.

**Table 6 – Summary of Misstatements Related to Financial Liabilities Account**

Particulars	(Overstatement)/Understatement				
	Financial liabilities			Interest expenses	Accumulated surplus/(deficit)
	Accounts payable	Interest payable	Total		
Recognition of accrued personnel benefits – PBB and PBI	P (16,049,682)	P -	P (16,049,682)	P -	P 16,049,682
Non-recognition of interest expense incurred in CY 2023	-	5,797,925	5,797,925	5,797,925	-
Recording in CY 2023 of interest expense incurred in CY 2022	-	-	-	(3,233,920)	(3,233,920)
	<b>P (16,049,682)</b>	<b>P 5,797,925</b>	<b>P (10,251,757)</b>	<b>P 2,564,005</b>	<b>P 12,815,762</b>

- 2.22. **We recommended that Management require the Accounting Division to effect the necessary adjusting entries to correct the misstatements on the accounts affected in the recording of the: (i) liabilities for the grant of the PBB to the officers and employees in the amount of P11.819 million, as well as, PBI for the appointive BOD in the amount of P4.231 million for FYs 2021 and 2022 or the aggregate amount of**

**P16.050 million; and (ii) Interest expense in the amount of P3.234 million incurred in CY 2022 but recorded in CY 2023; and**

- 2.23. **We reiterated our previous years' recommendation that Management instruct the Accounting Division to recognize the interest incurred in CY 2023 but billed in CY 2024 on the notes payable to the PDIC amounting to P5.798 million pending the approval of the NTA's request for the restructuring of the loan and lowering of interest and condonation of penalty charges.**
  - 2.24. Management committed that the Accounting Division will prepare adjusting entries relative to the accrual of personnel benefits and non-recognition of interest on Notes payable, consistent with the accrual basis of accounting.
  - 2.25. As a rejoinder, the Audit Team appreciated Management's commitment to adjust the books of accounts, which will be validated in the CY 2024 audit.
- 3. The Receivables-Loans and receivables-Accounts receivable and the Accumulated surplus/(deficit) accounts were understated in the amounts of P7.830 million (net) and P12.533 million, respectively; while the Revenue-Service and business income-Service income-SREF account was overstated by P4.703 million due to: (a) non-recognition of CEF and Additional R&R Fees in the total amount of P12.533 million earned in CYs 2019 to 2022, contrary to Paragraph 19 of IPSAS 9 – *Revenue from Exchange Transactions* and Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*; and (b) non-reversal of Accounts receivable account in the total amount of P4.703 million upon receipt of payments thereon from Cigar/Cigarette Manufacturers (CMs) in CY 2023, contrary to Paragraph 27 of IPSAS 1 – *Presentation of Financial Statements*.**

*Non-recognition of CEF and Additional R&R fees in the total amount of P12.533 million earned in CYs 2019 to 2022*

- 3.1. Paragraphs 1.1 and 1.2 hereof discuss the recognition criteria on revenue based on Paragraph 19 of IPSAS 9 – *Revenue from Exchange Transactions* and the accrual basis of accounting under Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements*.
- 3.2. Rule 1(h), Regulation I – *General Provisions* of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco dated January 12, 2018 defines CEF as the fee paid by the CMs for actual purchases of locally grown tobacco to support the production of quality Philippine Tobacco.
- 3.3. Likewise, Rule 2, Regulation VIII – *Research and Regulation Fees* of the same Revised Rules and Regulations provides that an Additional R&R Fee of P0.95 [now, P1.20 per kilogram as amended by the NTA MC No. 002, Series of 2018 dated November 28, 2018], for every kilogram of locally grown leaf tobacco delivered by the contracting tobacco buyer

firm/wholesale tobacco dealers to local CMs shall be paid by the CMs to the NTA based from the billing issued by the Regulation Department.

- 3.4. Verification of 54 Notices of Billing (NBs) issued by the Finance Department in the Central Office (CO) from CYs 2019 to 2023 disclosed that receivables in the total amount of P12.533 million (Table 7) from 15 NBs issued to the CMs were not recorded or erroneously recorded in the books of accounts of the NTA.

**Table 7 – Breakdown of Unrecorded Receivables from CEF and Additional R&R Fees For CYs 2019 to 2023**

NB		Per Books (CEF +		Per Audit			Understatement/ (Overstatement)
No.	Date	Additional R&R Fees)	CEF	Additional R&R Fees	Total		
2020-09-09	09/23/2020	P -	P 384,120	P -	P 384,120	P 384,120	
2020-09-06	09/23/2020	-	-	230,472	230,472	230,472	
2022-008-08	08/30/2022	-	653,004	-	653,004	653,004	
2022-007-08	08/30/2022	-	3,429,756	-	3,429,756	3,429,756	
2022-011-10	10/10/2022	5,759,400	6,731,712	-	6,731,712	972,312	
2022-010-10	10/10/2022	5,194,620	9,704,352	-	9,704,352	4,509,732	
2019-12-04*	12/26/2019	-	594,832	-	594,832	594,832	
2019-12-04*	12/26/2019	-	-	951,132	951,132	951,132	
2020-02-09	06/04/2020	888,220	732,200	-	732,200	(156,020)	
2020-09-05	09/23/2020	-	-	20,713	20,713	20,713	
2022-003-08	08/08/2022	-	26,477	26,477	52,954	52,954	
2022-009-08	08/30/2022	-	66,904	66,904	133,808	133,808	
2019-12-06*	12/26/2019	-	177,150	-	177,150	177,150	
2019-12-06*	12/26/2019	-	-	283,440	283,440	283,440	
2020-01-05	01/29/2020	-	295,250	-	295,250	295,250	
		<b>P 11,842,240</b>	<b>P 22,795,757</b>	<b>P 1,579,138</b>	<b>P 24,374,895</b>	<b>P 12,532,655</b>	

\* Separate NB for CEF and Additional R&R Fees, but same Control no. of NB

- 3.5. The Chief Accountant informed the Audit Team that NBs are prepared by the Finance Department based on the computation of the Regulation Department on the CEF and Additional R&R Fees charged from the CMs. Thereafter, the Accounting Division records the transaction as a debit to Cash in bank-local currency account, if immediately paid by the CMs, or to Accounts receivable account, if still unpaid, and credit to its related Income accounts. Further, since most CMs do not pay the CEF and Additional R&R fees promptly, it has been the practice of the Accounting Division to record the CEF and Additional R&R Fees as income only when they are paid by the CMs rather than when billed by the Finance Department.
- 3.6. The non-recognition of CEF and Additional R&R Fees in the period when they are earned is not in accordance with Paragraph 19 of IPSAS 9 and Paragraph 7 of IPSAS 1, thus, the Accounts receivable and Accumulated surplus/(deficit) accounts were both understated by P12.533 million as at December 31, 2023.

*Non-reversal of Accounts receivable account in the total amount of P4.703 million upon receipt of payments thereon from CMs in CY 2023*

3.7. Paragraph 27 of IPSAS 1 provides that:

*Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

3.8. In compliance with the audit recommendation included in the AAR on the NTA for the years ended December 31, 2022 and 2021 to recognize the CEF earned from July to December 2022 amounting to P11.129 million, the Accounting Division recorded the CEF earned in the second Semester of CY 2022 per JEV dated July 3, 2023 as an increase to the balances of both the Accounts receivable and Accumulated surplus/(deficit) accounts by P11.129 million. On the other hand, the receivables and corresponding income recorded per JEV dated December 29, 2023 for the two (2) NBs issued to a CM (#2) were recognized as an increase both to the balance of the Accounts receivable account and total amount of SREF-CEF account by P0.545 million. Table 8 presents the receivables and related income for CEF recognized in CY 2023.

**Table 8 – Accounts Receivable and SREF-CEF Recognized in CY 2023**

CM	Amount		Debit	Credit	Revenue-Service and business income-Service income-SREF-CEF
	JEV dated July 03, 2023	JEV dated December 29, 2023			
#1	P 6,467,112	P -	P 6,467,112	P 6,467,112	P -
#2	299,088	544,608	843,696	299,088	544,608
#3	3,298,212	-	3,298,212	3,298,212	-
#4	1,065,048	-	1,065,048	1,065,048	-
	<b>P 11,129,460</b>	<b>P 544,608</b>	<b>P 11,674,068</b>	<b>P 11,129,460</b>	<b>P 544,608</b>

3.9. In CY 2023, CMs (#2, #3, #4) paid the total amount of P4.703 million (Table 9) which the Accounting Division recorded as an increase to the balances of the Cash in bank-local currency and Revenue-Service and business income-Service income-SREF-CEF accounts.

**Table 9 – Payment of CEF Made by CMs in CY 2023**

Date	CM	Amount Paid	Accounting Entries	
			Debit (Cash in bank-local currency)	Credit Revenue-Service and business income-Service income-SREF-CEF
April 03, 2023	#3	P 3,298,212	P 3,298,212	P 3,298,212
October 24, 2023	#4	1,065,048	1,065,048	1,065,048
April 03, 2023	#2	299,088	299,088	299,088
August 14, 2023	#2	40,176	40,176	40,176
		<b>P 4,702,524</b>	<b>P 4,702,524</b>	<b>P 4,702,524</b>

3.10. Analysis of the entries made by the Accounting Division to record the payment of the CEF showed that income was already recognized under Accumulated surplus/(deficit) and SREF-CEF accounts amounting to P11.129 million and P0.545 million, respectively, as shown in Table 8. Thus, the recognition of CEF under the SREF-CEF account from the receipt of payment made in CY 2023 in the total amount of P4.703 million, as presented in Table 9, showed that the income was recognized twice in the books of accounts of the NTA. As a result, the Receivables-Loans and receivables-Accounts receivable and the Revenue-Service and business income-Service income-SREF-CEF accounts are both overstated by P4.703 million which affected the fair presentation of the said accounts in the financial statements of the NTA.

3.11. Inquiry with the Chief Accountant revealed that the receivables and income recognized under JEVs dated July 3, 2023 and December 29, 2023 may have been overlooked considering that different personnel of the Accounting Division are assigned to prepare the Order of Payment.

**Other observation:**

3.12. The Audit Team sent confirmation letters on March 18, 2024 to seven (7) CMs and one (1) government corporation (GC) with outstanding receivables in the total amount of P36.904 million to establish the correctness of the Accounts receivables and Due from GCs accounts as at December 31, 2023, as shown in Table 10.

**Table 10 – List of Customers Sent with Confirmation Letters**

Account/CM/GC	Outstanding Balance
<i>Accounts receivable</i>	
CM#1	P 21,908,776
CM#2	101,806
CM#3	3,017,408
CM#4	3,257,488
CM#5	7,858,597
CM#6	482,716
CM#7	198,496
	<b>36,825,287</b>
<i>Due from GCs</i>	
Government Service Insurance System (GSIS)	78,525
	<b>P 36,903,812</b>

- 3.13. However, out of the seven (7) CMs with total receivables of P36.825 million, five (5) did not respond to the confirmation letters sent by the Audit Team. Meanwhile, comparison of the results of the confirmation from the two (2) CMs and one (1) GC vis-à-vis the Subsidiary Ledgers (SLs) balances of the NTA disclosed variance in the total amount of P3.092 million, as presented in Table 11.

**Table 11 – Summary of the Results of Confirmation of Accounts**

<b>Account/CM/GC</b>	<b>SL Balance</b>	<b>Balance Confirmed</b>	<b>Variance</b>
<i>Accounts receivable</i>			
CM#4	P 3,257,488	P 693,480	P 2,564,008
CM#6	482,716	-	482,716
<i>Due from GCs</i>			
GSIS	78,525	33,500	45,025
	<b>P 3,818,729</b>	<b>P 726,980</b>	<b>P 3,091,749</b>

- 3.14. Interview with the Chief Accountant disclosed that the variance related to CM#6 may be attributed to the inadequate monitoring in the records of the CMs including the payments on CEF and Additional R&R Fees as there was a time when billings were prepared and issued at the NTA CO, while payments by the CMs were received by the NTA Provincial Branch Offices (PBOs) concerned. Further, there is no regular reconciliation performed between the Regulation Department and the Accounting Division on the CEF and Additional R&R Fees billed and collected to the CMs.
- 3.15. The absolute variance of P3.092 million between the SLs balances of the Accounts receivable and Due from GCs accounts *vis-a-vis* the confirmed balances of CMs and the GC casts doubt on the reliability of their balances in the financial statements.
- 3.16. **We recommended that Management instruct the Accounting Division to:**
- a. **Prepare the necessary adjusting entries to: (i) recognize the unrecorded CEF and additional R&R fees; and (ii) correct the double recording of CEF paid by CMs in CY 2023 in the total amount of P4.703 million, to fairly present the accounts affected in the financial statements as at and for the year ended December 31, 2023;**
  - b. **Perform regular reconciliation with the Regulation Department on the CEF and Additional R&R Fees billed and collected to the CMs and update the books of accounts; and**
  - c. **Coordinate with the CMs and GC concerned for the reconciliation of the variances noted between the balances per books and amounts confirmed and prepare the necessary adjustment, if warranted.**

- 3.17. **We reiterated our prior year's recommendation that Management instruct the Accounting Division to strictly observe the accrual basis of accounting prescribed under Paragraph 7 of IPSAS 1.**
- 3.18. Management commented that they will recognize the necessary correcting entries/adjustments to reflect the correct balances of the accounts affected.
- 3.19. As a rejoinder, the Audit Team acknowledged the commitment of Management to comply with the audit recommendations and their full compliance will be monitored in the CY 2024 audit.

## **B. NON-FINANCIAL**

4. **Two (2) Special Projects (SPs) of the NTA, the Kadiwa ni Ani at Kita and Tobacco Dust Production Agribusiness Project (TDPAP), have been incurring net losses which had already accumulated in the total amounts of P169.442 million (CYs 2013 to 2023) and P51.974 million (CYs 2009 to 2023), respectively, due to, among others, poor planning and execution of the projects, resulting in the non-attainment of the objectives and purposes of the NTA, specifically to improve the economic and living conditions and to raise the quality life of tobacco farmers and tobacco growing communities. Moreover, the low turnover of finished products inventory of the TDPAP due to competitors' low prices and non-implementation of marketing strategies added to the net losses of the Project.**

- 4.1. Section 2 of EO No. 245 dated July 24, 1997 states that:

*Purposes and Objectives. The National Tobacco Administration hereinafter referred to as NTA, shall have the following purposes and objectives:*

- a. *To improve the economic and living conditions and raise the quality of life of the tobacco farmers including those who depend upon the industry for their livelihood; and*
  - b. *To promote the balanced and integrated growth and development of the tobacco industry to help make agriculture a solid basis for industrialization.*
- 4.2. Likewise, Section 3(B) of the same EO provides the specific powers and functions of the NTA which include, among others, the conduct of agricultural and industrial research and the establishment, operation and maintenance of experimental stations.
  - 4.3. Pursuant to its mandate and specific powers vested under EO No. 245 dated July 24, 1997, the NTA conceptualized two (2) SPs namely: the Kadiwa ni Ani at Kita and the TDPAP to improve the life of the tobacco farmers and promote the development of the tobacco industry. However,



the two (2) SPs of the NTA have been incurring net losses since the start of its operations which had already accumulated in the total amounts of P169.442 million (CYs 2013 to 2023) for Kadiwa ni Ani at Kita and P51.974 million (CYs 2009 to 2023) for TDPAP, as shown in Table 12.

**Table 12 – Net Losses of the NTA SPs from Start of Operations to CY 2023**

<b>Year of Operation</b>	<b>Kadiwa ni Ani at Kita</b>	<b>TDPAP</b>	<b>Total</b>
2023	P 14,126,715	P 3,370,837	P 17,497,552
2022	16,448,191	2,613,225	19,061,416
2021	15,364,094	2,550,340	17,914,434
2020	17,087,975	3,270,367	20,358,342
2019	19,883,626	3,548,475	23,432,101
2018	19,704,167	3,787,774	23,491,941
2017	17,495,818	5,094,696	22,590,514
2016	17,368,026	11,011,231	28,379,257
2015	14,318,185	5,496,458	19,814,643
2014	13,779,437	1,792,328	15,571,765
2013	3,866,198	1,956,229	5,822,427
2012	-	1,821,124	1,821,124
2011	-	2,084,300	2,084,300
2010-2009	-	3,576,387	3,576,387
	<b>P 169,442,432</b>	<b>P 51,973,771</b>	<b>P 221,416,203</b>

*Kadiwa ni Ani at Kita*

- 4.4. The Kadiwa ni Ani at Kita, formerly the Agripinoy Tobacco Farmers Food Processing and Trading Center, began its operations on June 20, 2013 at Narvacan, Ilocos Sur that caters to the immediate tobacco-producing provinces of Ilocos Sur, Ilocos Norte, La Union, and Pangasinan in Region I, as well as, Abra in the Cordillera Administrative Region (CAR).
- 4.5. In the earnest efforts of the NTA to alleviate the economic and living conditions of the tobacco farmers, the Kadiwa ni Ani at Kita engaged in the following business operations, among others: (a) hog fattening and poultry raising with registered tobacco farmers in Region I and Abra; (b) purchase and processing of hog and poultry; and (c) wholesale marketing of raw and processed pork and chicken, which was last conducted in CY 2019. Likewise, the retail marketing of the products at the Plant's showrooms in Narvacan, Ilocos Sur, NTA CO Marketing Outlet, and NTA PBOs' Marketing Outlets in Region I and CAR was last conducted in CY 2017. Furthermore, the operation of the Kadiwa ni Ani at Kita was discontinued due to the outbreak of Coronavirus Disease (COVID)-19 pandemic in CYs 2020 to 2022. Thus, the Project accumulated uncollected receivables from retail marketing in other NTA PBOs amounting to P1.558 million as of December 31, 2023.
- 4.6. Analysis of the financial performance of Kadiwa ni Ani at Kita disclosed that the Project had been incurring losses for the last 10 years, which already accumulated to P169.442 million as of December 31, 2023, as summarized in Table 13.

**Table 13 – Net Losses of Kadiwa ni Ani at Kita, From CYs 2013 to 2023**

Year		Net Sales	Cost of Goods Sold	Gross Profit/(Loss)	Other Income	Expenses	Net Loss
2023	P	146,899	P 153,730	P (6,831)	P 228	P 14,120,112	P 14,126,715
2022		224,073	220,185	3,888	459,134	16,911,213	16,448,191
2021		1,240,989	1,309,004	(68,015)	93,031	15,389,110	15,364,094
2020		2,875,838	2,710,519	165,319	1,281,459	18,534,753	17,087,975
2019		6,187,757	6,110,687	77,070	1,087,238	21,047,934	19,883,626
2018		7,282,494	6,684,418	598,076	423,201	20,725,444	19,704,167
2017		22,230,924	21,027,410	1,203,514	2,585,735	21,285,067	17,495,818
2016		27,861,495	25,283,463	2,578,032	1,461,919	21,407,977	17,368,026
2015		29,117,315	25,829,812	3,287,503	1,855,317	19,461,005	14,318,185
2014		40,038,351	37,350,813	2,687,538	697,829	17,164,804	13,779,437
2013		6,538,927	5,666,038	872,889	-	4,739,087	3,866,198
		<b>P 143,745,062</b>	<b>P 132,346,079</b>	<b>P 11,398,983</b>	<b>P 9,945,091</b>	<b>P 190,786,506</b>	<b>P 169,442,432</b>

- 4.7. As can be gleaned from Table 13, the sales of the Kadiwa ni Ani at Kita started to decline in CY 2015 and continued until CY 2023 which could be attributed to the following factors: (a) decrease in production and consequent no production of the processed meat products; (b) stoppage of hog fattening and poultry raising due to non-collection from farmer-contract growers wherein the last dispersal/loan release was made in CY 2019; and (c) inability to collect receivables related to the sale of goods on credit. As of December 31, 2023, the receivables from the sale of fresh and processed foods amounted to P1.862 million, while the receivables from loans for hog fattening, poultry raising, and chest freezer amounted to P5.695 million.
- 4.8. Further, fund transfers were requested by the Kadiwa ni Ani at Kita from the NTA CO to sustain its operations and for the payment of its expenses due to the insufficient income earned by the Project. The total fund transfers received by the Project from NTA CO from CYs 2013 to 2023 amounted to P30.764 million which is much higher by P9.420 million than the combined gross profit/(loss) and other income in the aggregate amount of P21.344 million, as summarized in Table 14.

**Table 14 – Fund Transfers vis-à-vis Combined Gross Profit/(Loss) and Other Income From CYs 2013 to 2023**

Year (a)	Gross Profit/(Loss) (b)	Other Income (c)	Total (d) = (b) + (c)	Fund Transfers (e)	Difference (f) = (d) – (e)
2023	P (6,831)	P 228	P (6,603)	P 3,001,385	P (3,007,988)
2022	3,888	459,134	463,022	2,539,356	(2,076,334)
2021	(68,015)	93,031	25,016	216,465	(191,449)
2020	165,319	1,281,459	1,446,778	1,735,938	(289,160)
2019	77,070	1,087,238	1,164,308	2,163,519	(999,211)
2018	598,076	423,201	1,021,277	402,854	618,423
2017	1,203,514	2,585,735	3,789,249	7,108,038	(3,318,789)
2016	2,578,032	1,461,919	4,039,951	8,068,207	(4,028,256)
2015	3,287,503	1,855,317	5,142,820	4,973,196	169,624
2014	2,687,538	697,829	3,385,367	554,920	2,830,447
2013	872,889	-	872,889	-	872,889
	<b>P 11,398,983</b>	<b>P 9,945,091</b>	<b>P 21,344,074</b>	<b>P 30,763,878</b>	<b>P (9,419,804)</b>

- 4.9. Further inquiry with the Acting Branch Accountant revealed that the NTA top Management is considering the offer to lease or sell the facilities of Kadiwa ni Ani at Kita to avoid the incurrence of further losses, as there is a slight chance that the operations of Kadiwa ni Ani at Kita will be revived.

*TDPAP*

- 4.10. This is a reiteration with updates of the audit observation and recommendations embodied in the AAR on NTA for the year ended December 31, 2017.
- 4.11. In consonance with one of the core functions of the NTA on research and development, the TDPAP was conceptualized to introduce other uses of tobacco plant, as well as, alternative products that can be provided to tobacco farmers whose crops are threatened and endangered due to worldwide campaigns against smoking that may bring adverse effects to the livelihood of the tobacco farmers. Furthermore, it promotes the development and commercialization of the other industrial uses of tobacco, particularly tobacco dust, as organic and natural pesticides as replacements for the highly toxic, cyanide-based chemicals used in aquaculture. Likewise, the Project created more jobs and raised the quality of life of the tobacco farmers.
- 4.12. The NTA projected that the TDPAP would earn income when it was conceptualized. In contrary, the Project had been incurring losses since it started operations in mid-2009 which already accumulated to P51.974 million as of December 31, 2023 as shown in Table 12 hereof. In CY 2023, the TDPAP incurred a net loss of P3.371 million, excluding the salaries and benefits of the OIC-Project Manager that are charged against the funds of the NTA La Union PBO.
- 4.13. The constant annual losses were attributed to the following factors: (a) sales were much lower than expenses incurred; (b) high production and operating costs; (c) plant/warehouse was razed by fire in August 2016 which caused the temporary cessation of production; (d) costs were still being incurred for utilities, security and personnel services despite discontinuance of operations from CYs 2019 to 2022; (e) selling price is not competitive; and (f) lack of marketing strategies to attract customers.
- 4.14. In CY 2019, the NTA Governing Board ordered the temporary cessation of the operations of the TDPAP. After more than three (3) years, the Management offered the property for lease or sale but there were no takers because the location is not accessible to large trucks which could be one of the factors being considered by prospective lessors or buyers.
- 4.15. In CY 2023, a Feasibility Study for the resumption of operations of the TDPAP was furnished to the Audit Team, in compliance with a prior year audit recommendation. As projected in the Study, the resumption of TDPAP will yield losses in its first four (4) years and will start to realize income in the fifth year. Despite such projection, the researcher who is the

former OIC-Project Manager of TDPAP, still recommended the recommencement of the operations of the TDPAP with a forecast that the Project will eventually gain footing, penetrate the market, and attract potential customers.

- 4.16. With the said recommendation, the operations of the TDPAP resumed in March 2023 that resulted in the production of 7,555 bags of Tobacco Dust Plus in CY 2023, of which only 2,719 or 36 per cent were sold to third parties at P170 per bag, the same price offered by its competitors. Hence, as confirmed from the inventory list furnished to the Audit Team, there remained 4,836 bags or 64 per cent of the finished product that were unsold as of year-end, indicating low turnover of the product.
- 4.17. It is worth mentioning that under the Feasibility Study, the TDPAP must sell its product at P250 per bag to realize a profit in its fifth year of resumption. While it could already hardly break-even at P170 per bag, selling the product at P250 per bag could drastically decrease sales, making the recovery of TDPAP impossible.
- 4.18. Further, the OIC-Project Manager admitted that some of the marketing strategies enumerated in the Feasibility Study were not implemented, such as: (a) conduct of training and seminars at the community level to educate and directly target the consumer population; (b) venture into online marketing; (c) distribution of promotional materials; and (d) utilization of various social media platforms in explaining the proper usage and expected benefits of using Tobacco Dust Plus. Nonetheless, he is currently communicating with previous clients and product distributors to market the finished product.
- 4.19. The TDPAP may have been a great project because the tobacco dust had shown various benefits such as an environment-friendly aquaculture pesticide that leaves no residue which improves soil condition, and a nutritious and more economical food (*lablab*) for fish and reduces mortality of fingerlings from 20 to five (5) per cent, and ensure that fish are consumer-safe, resulting in the enhancement of global competitiveness of local fish. However, a Project like the TDPAP requires thorough study and assessment to ensure its viability.
- 4.20. In summary, the accumulated net losses of the Kadiwa ni Ani at Kita and the TDPAP resulted in the non-attainment of the objectives and purposes of the NTA, specifically to improve the economic and living conditions and to raise the quality life of tobacco farmers and tobacco growing communities.
- 4.21. **We reiterated our previous years' recommendation that top Management develop alternative business options for the two (2) SPs, in the event that NTA will no longer pursue their operations, such as offer for lease or disposal to prevent further losses and wastage of government resources.**

- 4.22. Management commented that after the series of discussions during the Committee Meetings held on February 28, 2024 and March 14, 2024, the NTA Governing Board issued Board Resolution No. 212, Series of 2024 on March 15, 2024 authorizing the Assets and Inventory Management (AIM) Committee to publish and entertain expressions of interest from private or public appraisers with regard to the properties of the NTA, particularly the Kadiwa ni Ani at Kita and TDPAP. The appraisal will serve as guidance on the proper course of action that the NTA Management will take in the future on the two SPs which may include selling or leasing the properties. At present, the AIM Committee is gathering the necessary documents before securing the services of an appraiser.
- 4.23. As a rejoinder, we appreciated Management's initial efforts to address the issues on the accumulated net losses of the SPs and shall monitor compliance with the audit recommendation in the CY 2024 audit.
5. **Unserviceable properties costing P10.117 million remained undisposed as of December 31, 2023, contrary to Section 79 of PD No. 1445 and the Manual on the Disposal of Government Property issued under National Budget Circular (NBC) No. 425 dated January 28, 1992, due to, among others: (a) absence of a new/reconstituted Disposal Committee in NTA CO, as well as, Ilocos Norte, Isabela, La Union, and Pangasinan PBOs; and (b) newly-constituted Disposal Committees in Abra, Candon, and Vigan PBOs were unable to undertake the disposal procedures; thus, exposed the properties to further deterioration and reduction of their appraised values and deprived the NTA of additional income from the sale thereof.**

- 5.1. Section 79 of PD No. 1445 provides:

***Destruction or sale of unserviceable property.** When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.*

- 5.2. Section A, Part 1 of the Manual on the Disposal of Government Property issued under NBC No. 425 dated January 28, 1992 authorizes agencies concerned to immediately dispose unserviceable properties, to wit:

*Disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. A systematic and timely disposal will yield benefits in terms of, among others, a higher appraised value and by enabling storage areas available for other purposes.*

*To facilitate the disposal of the increasing quantity of unserviceable equipment and property, the heads of the various departments/agencies have been authorized to dispose of such equipment and property. Xxxx*

- 5.3. Review of the Report on the Physical Count of Property, Plant and Equipment (PPE) of Isabela and Ilocos Norte PBOs, as well as, the Inventory and Inspection Report of Unserviceable Properties (IIRUP) of the CO and other PBOs as of December 31, 2023 revealed that various PPE items costing P10.117 million (Table 15) were no longer in good condition and beyond repair due to wear and tear but remained undisposed of as of year-end, contrary to Section 79 of PD No. 1445 and Section A, Part 1 of the Manual on the Disposal of Government Property.

**Table 15 – Breakdown of the Cost of Unserviceable Properties  
As of December 31, 2023**

<b>Office</b>	<b>Cost</b>
CO	P 1,668,784
PBOs	
Abra	1,791,852
Candon	1,616,983
Ilocos Norte	1,453,545
Vigan	1,287,441
La Union	1,273,219
Pangasinan	571,599
Isabela	453,834
	8,448,473
	<b>P 10,117,257</b>

- 5.4. Verification disclosed that the unserviceable properties of the CO and PBOs that remained undisposed of as of December 31, 2023 include, among others:
- a. In NTA CO, furniture, information and technology and other equipment costing P1.669 million that are either kept in the Motor Pool Section in the old compound, which is currently under construction for the new NTA building, or stored in the Golden Leaf Village, a property owned by the NTA in Montalban, Rizal;

- b. In Candon, Abra, Ilocos Norte, Vigan, and Isabela PBOs, vehicles costing P0.605 million; P0.543 million, P0.543 million, P0.543 million and P55,530, respectively;
  - c. In La Union PBO, Solar Powered Irrigation System costing P0.614 million that was damaged on September 16, 2021 which was constructed and installed at Barangay Bulbulala, Balaoan, La Union to support the 13 rice-tobacco farmers owning an aggregate land area of 7.93 hectares;
  - d. In Pangasinan PBO, three (3) units of aircon costing P364,142; one (1) laptop costing P63,957, and two (2) computer desktops costing P143,500; and
  - e. In Isabela PBO, office equipment costing P182,000, as well as, information and technology equipment costing P216,304.
- 5.5. The inability to immediately dispose of the unserviceable properties is contrary to Section 79 of PD No. 1445 and the Manual on the Disposal of Government Property, and exposed such properties to further deterioration and reduction of their appraised values and deprived the NTA of additional income from the sale thereof.
- 5.6. It is worthy to mention that the Manual on the Disposal of Government Property issued under NBC No. 425 dated January 28, 1992 was already revised and updated under COA-Department of Budget and Management (DBM) Joint Circular (JC) No. 2024-1 dated January 30, 2024, which sets the guidelines for the disposal of government properties and provides the necessary requirements that government agencies must adhere to prior to commencement of disposal activities.
- 5.7. **We recommended that Management:**
- a. **Expedite the creation of Disposal Committees in CO, as well as, Ilocos Norte, Isabela, La Union, and Pangasinan PBOs to facilitate the disposal of the unserviceable properties in accordance with the Revised Manual on the Disposal of Government Properties issued under COA-DBM JC No. 2024-1 dated January 30, 2024, to avoid their further deterioration and to generate higher proceeds from sale for the benefit of the NTA; and**
  - b. **Require the members of the newly-reconstituted Disposal Committees in Abra, Candon, and Vigan PBOs to convene and conduct the disposal procedures for the unserviceable properties.**
- 5.8. The following are the comments of Management of the CO and PBOs:
- a. The CO reconstituted the Disposal Committee to establish and facilitate the disposal of unserviceable properties under Special Order

No. 0589, Series of 2024, dated May 9, 2024. To ascertain the appraised value of the unserviceable properties for disposal, the Disposal Committee canvassed from the proprietors of junkshops and received two quotations from private appraisers. Further, the Committee will conduct a thorough assessment of the temporary storage facilities to determine the extent of the unsuitability of the location for storing properties that may mitigate further deterioration of the unserviceable properties.

- b. The Abra, Isabela, Ilocos Norte, La Union and Vigan PBOs will prepare the necessary documents for the disposal of the unserviceable properties and conduct said activity within the year.
- c. The Candon PBO was unable to make time for the disposal of unserviceable properties due to the implementation of various projects in the Branch. However, the Property Custodian and Accountant have already reconciled their records, and disposal procedures will be implemented in CY 2024.
- d. The Pangasinan PBO will recommend the creation of a Disposal Committee to the CO and seek assistance for the disposal of unserviceable PPEs.

5.9. As a rejoinder, the Audit Teams assigned in the CO and PBOs acknowledged the commitment of Management to facilitate the disposal of the unserviceable properties of the NTA.

**6. The collectability of dormant Loans Receivable, which remained inactive or non-moving in the books of accounts for more than 10 years, in the aggregate amount of P288.512 million as of December 31, 2023, representing 25.24 per cent of total Loans Receivable of P1.143 billion, is already remote, if not nil, due to, among others: (a) lack of loan documents/records to establish the validity of the accounts as there was no proper turn-over of records from the former PBO Accountants to the incumbent Accountants; (b) unknown whereabouts/addresses of some of the farmer-borrowers; (c) some of the farmer-borrowers are already deceased; and (d) SOAs are not regularly sent/issued to farmer-borrowers and/or demand letters are not sent to defaulting farmer-borrowers; thus, deprived the NTA of additional funds for its operations and/or to finance projects aligned with its mandate.**

6.1. This is a reiteration with updates of the observation contained in the previous years' AARs since Management was not able to implement the audit recommendations. It is worthy to mention that the dormant Loans Receivable as of December 31, 2023 in the amount of P288.512 million increased by P70.413 million from December 31, 2022 dormant Loans Receivable in the amount of P218.099 million.

6.2. Section 5.7 of COA Circular No. 2023-008 dated August 17, 2023 defined dormant receivable accounts as those accounts which balances remained



inactive or non-moving in the books of accounts for 10 years or more and where settlement/collectability could no longer be ascertained.

6.3. Moreover, Section 8.2 of the same Circular states that:

*Within one (1) year from the effectivity of the Circular, the Head of Accounting Unit through the [Head of Agency] HoA shall file with/through the [Audit Team Leader] ATL and/or [Regional Supervising Auditor] RSA/[Supervising Auditor] SA, depending on the jurisdictional amount, a request for the approval of COA to write-off/derecognize from the books the dormant accounts pursuant to the provisions of this Circular. The request shall be supported with the documents listed in Annex 8, provided with index tabs, for easy reference.*

6.4. Verification of the Accounting records on the Loans Receivable account from CYs 2017 to 2023 showed a yearly increase in the receivables from the tobacco farmers on the various loan programs and projects of the NTA, which remained inactive or non-moving in the books of accounts for more than 10 years, as shown in Table 16.

**Table 16 – Dormant Receivables from CYs 2017 to 2023**

Year	Balance	Increase from Prior Year's Balance	
		Amount	Percentage
2017	P 21,335,095		
2018	32,673,565	P 11,338,470	53.14%
2019	94,154,318	61,480,753	188.17%
2020	106,200,141	12,045,823	12.79%
2021	134,112,487	27,912,346	26.28%
2022	218,099,194	83,986,707	62.62%
2023	288,512,071	70,412,877	32.28%

6.5. Likewise, perusal of the aging of the Loans Receivable account totaling P1.143 billion as of December 31, 2023 revealed that the amount of P288.512 million, or 25.24 per cent, remained inactive or non-moving in the books of accounts for more than 10 years as presented in Table 17.

**Table 17 – Aging of Loans Receivable as of December 31, 2023**

Office/PBO/Project	Less than One Year	More than One to Five Years	More than Five to 10 Years	More than 10 Years	Total
CO	P -	P -	P -	P 24,288,880	P 24,288,880
Candon	46,967,225	49,838,906	84,840,516	73,385,237	255,031,884
La Union	25,106,673	54,987,703	35,245,276	53,106,788	168,446,440
Ilocos Norte	22,470,878	47,081,409	43,607,214	49,289,947	162,449,448
Isabela	42,640,465	53,833,879	44,827,774	6,851,224	148,153,342
Abra	16,466,215	47,361,556	33,945,795	16,560,910	114,334,476
Vigan	14,160,851	24,367,566	27,566,073	44,332,313	110,426,803
Pangasinan	16,407,221	43,096,975	23,549,492	13,690,890	96,744,578
Cagayan	12,623,468	23,602,761	14,629,819	2,278,752	53,134,800
Kadiwa ni Ani at Kita	-	-	5,541,692	153,441	5,695,133
Iloilo	-	-	-	4,573,689	4,573,689
	<b>P 196,842,996</b>	<b>P 344,170,755</b>	<b>P 313,753,651</b>	<b>P 288,512,071</b>	<b>P 1,143,279,473</b>

6.6. Similar to the previous years' observation, the causes/reasons for the dormancy of these accounts are summarized in Table 18.

**Table 18 – Causes/Reasons for the Dormancy of Loans Receivable**

CO/PBOs/ Project	Dormant Loans Receivable (a)	Total Loans Receivable (b)	Percentage of Dormant to Total Receivables (c) = (a/b)	Causes/Reasons for the dormancy of the accounts
CO	P 24,288,880	P 24,288,880	100.00%	Dormant accounts originated from the eight (8) defunct tobacco agencies merged into the NTA, hence, the whereabouts of the farmer-borrowers are unknown or farmer-borrowers are already deceased.
Candon	73,385,237	255,031,884	28.77%	Former Accountant did not properly turn over the pertinent records and documents to the incumbent Accountant, i.e., loan documents/records to establish the validity of the accounts, and most of the accounts were carried over from previous years.
La Union	53,106,788	168,446,440	31.53%	The farmer-borrowers were unable to settle their outstanding loan balances due to, among others, the following: (a) they are only tenants of lands they are cultivating; (b) quantity planted was only minimal; (c) tobacco crops were damaged; (d) notion that loans granted to them are dole-outs; (e) no SOAs or loan balances were given/sent to them; (f) they planted other crops like corn and vegetables; and (g) they stopped planting tobacco crops.  Moreover, no demand letters were sent to defaulting farmer-borrowers to collect outstanding loan balances due to lack of time and manpower.
Ilocos Norte	49,289,947	162,449,448	30.34%	The farmer-borrowers attributed their inability to settle their outstanding loan balances to, among others, the following: (a) high cost of inputs in growing and drying of tobacco; (b) proceeds from sales were inadequate to cover amortization; application of payments to interests and penalties; (c) tobacco crops were damaged; and (d) farmers' notion that loans granted to them are dole outs.
Isabela	6,851,224	148,153,342	4.62%	The names and whereabouts of the debtors were unknown, particularly debtors of the Curing Barn Assistance Program granted in CYs 1991 to 1995, due to damage caused by Typhoon Juan that occurred in the City of Ilagan in October 2010. Hence, due to the lack/unavailability of supporting records/documents, the validity of the claims cannot be ascertained. Moreover, there was no turnover of loan documents between the outgoing and incoming PBO Accountants except for the list of borrowers.

CO/PBOs/ Project	Dormant Loans Receivable (a)	Total Loans Receivable (b)	Percentage of Dormant to Total Receivables (c) = (a/b)	Causes/Reasons for the dormancy of the accounts
Abra	16,560,910	114,334,476	14.48%	The fortuitous events that hit the province resulted in damages to crops/plantations, thus, the farmer-borrowers could not recover their losses and consequently could not pay their obligations.
Vigan	44,332,313	110,426,803	40.15%	No demand letters were sent due to lacking information such as the addresses of the borrowers
Pangasinan	13,690,890	96,744,578	14.15%	The Chief Agriculturist informed that the farmers were unable to pay their outstanding loan balances due to, among others, the following: (a) typhoons and other calamities damaged their crops and resulted in poor harvests; (b) proceeds from sales of farm harvests of tobacco, corn or palay were not enough to cover the loan amortization due to low buying price; and (c) difficulty in imposing collection due to common notion of borrowers that government loans/assistance are dole outs.
Cagayan	2,278,752	53,134,800	4.29%	No demand letters were sent to defaulting farmer-borrowers to collect outstanding loan balances.
Kadiwa ni Ani at Kita	153,441	5,695,133	2.69%	Management did not send demand letters to the borrowers/debtors in CY 2023 due to voluminous work and various concerns that needed immediate action.
Iloilo	4,573,689	4,573,689	100.00%	The PBO is already closed and there were no documents retrieved to determine the details of the dormant accounts.
	<b>P 288,512,071</b>	<b>P1,143,279,473</b>	<b>25.24%</b>	

6.7. The collectability of the dormant Loans Receivables totaling P288.512 million, which remained inactive or non-moving for more than 10 years, is already remote, if not nil; thus, deprived the NTA of additional funds for its operations and/or to finance projects aligned with its mandate.

6.8. **We reiterated our previous years' recommendations that top Management:**

a. **Instruct the Managers of the PBOs concerned to require their Accountants to:**

a.1. **Intensify collection efforts by sending religiously the SOAs/demand letters to farmer-borrowers to prevent/minimize the accumulation of dormant accounts; and continuously coordinate with the relatives of the deceased farmer-borrowers to request copy of death certificates, as among the requirements for the request for authority to write off;**

- a.2. **Initiate legal action against defaulting farmer-borrowers with long overdue accounts, if no settlement is made despite demand letter(s) sent; and**
- a.3. **Consider the financial capability of the farmer-borrowers before granting loans, to avoid the accumulation of unpaid accounts, otherwise, revisit the policy on the granting, collection, and monitoring of loans; and**
- b. **Direct the Accountants and other officials/employees concerned of the CO and PBOs to gather the required documents enumerated under COA Circular No. 2016-005 dated December 19, 2016, as amended by COA Circular No. 2023-008 dated August 17, 2023 to support the request for authority to write-off dormant Loans Receivable accounts aged more than 10 years, if all efforts exerted in collecting the accounts from farmer-borrowers remained improbable.**

6.9. Managements of the CO and PBOs submitted the following comments:

- a. In CO, they committed to locate the pertinent records/documents of the dormant loan receivables, otherwise, they will gather documents to support the request for authority to write-off dormant loan receivables accounts if the records/documents could not be found.
- b. In Candon PBO, they commented that the bulk of dormant receivables covers CYs 1991 to 1998 wherein natural disasters such as the Pinatubo eruption, strong typhoons and disrupted the market and production of tobacco resulting in the non-payment of farmer-borrowers. They informed that they have prepared and issued demand letters to the farmer-borrowers. As regards receivables without supporting documents, they are exerting all efforts to locate them but to no avail. Furthermore, they will comply with the recommendation to file the request for authority to write-off and will start preparing the necessary documents.
- c. In La Union PBO, they informed that the documents to support the dormant accounts receivables could no longer be found. Nevertheless, they are receptive to the compliance of the audit recommendations.
- d. In Ilocos Norte PBO, they committed to facilitate the preparation of the needed documents for the request for write-off of dormant receivables in compliance with COA Circular No. 2023-008 dated August 17, 2023.
- e. In Isabelita PBO, they committed to adhere to the recommendations and shall inform the Audit Team on the progress of their compliance thereto.

- f. In Abra PBO, they commented that they have started sending demand letters to farmer-borrowers in CY 2020.
  - g. In Vigan PBO, they commented that most of the receivables lack supporting documents and only the aging schedule with a summary list is available to support the loan receivables. They further stated that they cannot send demand letters due to lacking information such as the addresses of the borrowers. Nonetheless, collections were made during the year from some debtors with complete information. Furthermore, they are considering filing requests for authority to write-off dormant receivables.
  - h. In Pangasinan PBO, they committed to send demand letters to debtors with known addresses in CY 2024 and assured that they will exert efforts to comply with the audit recommendations.
- 6.10. As a rejoinder, the Audit Teams assigned at the CO and PBOs recognized the commitment of Management to address the issues on the dormant loan receivables from the farmer-borrowers.

## **GENDER AND DEVELOPMENT (GAD)**

7. **The NTA was able to have a Philippine Commission on Women (PCW)-endorsed GAD Plan and Budget (GPB) in FY 2023 in the amount of P104.940 million out of P1.173 billion or 8.95 per cent of the approved appropriation for CY 2023 of the NTA, in consonance with PCW-National Economic and Development Authority (NEDA)-DBM JC No. 2012-01. However, the non-formulation of NTA's GAD Agenda, which would have served as the Agency's strategic framework and plan on gender mainstreaming, is not in consonance with Section 5.1 of PCW-NEDA-DBM JC No. 2012-01 and PCW MC No. 2018-04 dated September 19, 2018, thus, cast doubt on whether all gender issues of the NTA and its clients have been fully identified and addressed in accordance with its mandate.**

### *Non-formulation of the GAD Agenda*

- 7.1. Section 5.1 of PCW-NEDA-DBM JC No. 2012-01 requires government agencies to set the GAD Agenda, viz.:

*Set the GAD agenda or identify priority gender-issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term by the central office in consultation with regional offices, bureaus and attached agencies. This GAD agenda shall be the basis for the annual formulation of PAPs [programs, activities and projects] to be included in the GPB of the department and its attached agencies, bureaus, regional offices and units.*

- 7.2. Likewise, Section 4 of PCW MC No. 2018-04 dated September 19, 2018 provides that the GAD Agenda is a two-part document consisting of the GAD Strategic Framework (GADSF) and the GAD Strategic Plan (GADSP). The GADSF outlines the Agency's GAD Vision, Mission and Goals anchored on the mandate of the Agency, while GADSP defines the strategic interventions, indicators, and targets to be pursued to achieve GAD goals over a period of time. The timeframe of the GAD Agenda is six (6) years.
- 7.3. Pursuant to Section 5.1.1 of PCW MC No. 2018-04, the Head of the Agency or the GAD Focal Point System (GFPS) Chairperson shall issue an office memorandum for the preparation of the GAD Agenda. Likewise, the Head of the Agency shall approve the GAD Agenda and issue a policy ensuring the implementation by the Agency's sub-units as required under Section 6.1 of PCW MC No. 2018-04 dated September 19, 2018. For monitoring and evaluation of the GAD Agenda, a review and end-term evaluation of the GADSF and GADSP shall be conducted by the GFPS after three (3) years and reports shall be prepared and submitted to the PCW.
- 7.4. As noted in the prior years' audit observations, neither a planning team was created nor a memorandum was issued by the Head of the Agency or GFPS Chairperson for the formulation of its multi-year GAD Agenda consisting of the GADSF and the GADSP.
- 7.5. Inquiry with the GFPS Chairperson disclosed that the planning team to be created for the formulation of the NTA's GAD Agenda shall be composed of the GFPS, which was reconstituted under Special Order No. 0177 dated February 17, 2023. However, the training for the preparation of the GAD Agenda was deferred due to the delayed submission of the proposal of proposed trainers and various work assignments of the members of the GFPS. Hence, no GAD Agenda has been prepared and approved, to date.
- 7.6. The absence of a six-year GAD Agenda casts doubt on whether all gender issues of the NTA and its clients have been completely identified and addressed according to its mandate.

*Non-preparation and non-submission to the PCW of an adjusted GPB based on NTA's approved Corporate Operating Budget (COB) for FY 2023*

- 7.7. It is worthy to mention that the GPB of the NTA for FY 2023 was endorsed by PCW on July 13, 2023. The GFPS should be commended for furnishing the COA Audit Team with a copy of the signed GPB on July 17, 2023 or two (2) working days from its endorsement, which is within the five-working day requirement provided under Section 1.2.5.3 of PCW MC No. 2022-03 dated August 31, 2022, on the *Preparation and Online Submission of Fiscal Year (FY) 2023 Gender and Development (GAD) Plans and Budgets*.

7.8. Review of the GPB for FY 2023 showed that a total budget of P104.940 million was earmarked for the implementation of 14 GAD-related PAPs, representing 19.06 per cent of the Agency’s total budget appropriations of P550.504 million for FY 2023. The FY 2023 COB of the NTA, as approved by the DBM, however, amounted to P1,172.794 million or P622.290 million higher than the budget appropriation of P550.504 million used in the computation of the GAD budget in the PCW-endorsed GPB. Despite that, the NTA still met the minimum five (5) per cent GAD budget requirement provided under Section 1.2.5.1 of the PCW MC No. 2022-003 as recomputation showed that the GAD budget of P104.940 million represents 8.95 per cent of the approved FY 2023 COB in the amount of P1,172.794 million. However, the FY 2023 GPB was not adjusted, particularly budget and program adjustments, to be based already on the approved FY 2023 COB of the NTA, hence, contrary to Section 8.8 of the PCW-NEDA-DBM JC No. 2012-01, which provides that:

*Once the GAA has been approved and where the budget and program adjustments have to be made based on final agency budgets, agencies shall submit an adjusted GPB to PCW. The adjusted GPB shall be the basis for implementing the GPBs as well as for monitoring and reporting.*

7.9. Notwithstanding, of the GAD budget of P104.940 million, the total cost utilized for the implementation of PAPs amounted to P76.255 million, thus, leaving a net unutilized GAD funds of P28.685 million or 27.33 per cent [P28.685 million divided by P104.940 million] of the GAD budget. Details are summarized in Table 19.

**Table 19 – GAD-related PAPs Budget and Utilization for FY 2023**

GAD-related Activities	No. of Activities	Budget	Utilized		Unutilized	
			Amount	Percentage	Amount	Percentage
Client-focused activities	8	P 62,531,993	P 53,958,977	86.29	P 8,573,016	13.71
Organization-focused activities	4	1,618,271	984,018	60.81	634,253	39.19
Attributed programs	2	40,789,991	21,312,000	52.25	19,477,991	47.75
	<b>14</b>	<b>P 104,940,255</b>	<b>P 76,254,995</b>	<b>72.67</b>	<b>P 28,685,260</b>	<b>27.33</b>

7.10. The utilized GAD funds of P76.255 million, nonetheless, represents 6.5 per cent of the approved FY 2023 COB of P1,172.794 million, which is in accordance with Section 1.5 of PCW MC No. 2023-05 dated December 19, 2023, which states that:

*Considering that the GAD [Accomplishment Report] AR shall be consolidated by agency, the GAD expenditure of a regional office or a constituent unit may not necessarily reach 5% of its approved total annual budget for as long as the agency as a whole meets the minimum 5% GAD expenditure based on the agency’s total budget appropriations.*

- 7.11. **We reiterated our recommendation that top Management direct the GFPS to formulate, with the assistance of the PCW, the six-year GAD Agenda, consisting of the GADSF and GADSP, and submit the same to the PCW in accordance with Section 5.1 of PCW-NEDA-DBM JC No. 2012-01, as amended by PCW-NEDA-DBM Joint Memorandum Circular (JMC) No. 2022-01 dated December 28, 2022 and PCW MC No. 2018-04 dated September 19, 2018.**
- 7.12. **We also recommended that Management instruct the GFPS to, henceforth, submit to PCW an adjusted GPB once the COB has been approved and where the budget and program adjustments have to be made based on final agency budget, pursuant to Section 8.8 of the PCW-NEDA-DBM JC No. 2012-01, as amended by PCW-NEDA-DBM JMC No. 2022-01 dated December 28, 2022.**
- 7.13. Management commented that initial efforts were made to find accredited resource persons from PCW to conduct the training on GAD Agenda preparation but the proposal came in December 2023 when most of the focal persons from the PBOs were busy with the tobacco season and preparation for the year-end assessment and project proposals for the FY 2024 GPB in the CO.
- 7.14. As a rejoinder, the Audit Team acknowledged the initiative of Management to comply with the recommendation on the formulation of the GAD Agenda of the NTA.

#### **COMPLIANCE WITH PROPERTY INSURANCE LAW**

8. In CY 2023, the insurable assets of the NTA were insured with the General Insurance Fund administered by the GSIS in compliance with Republic Act (RA) No. 656, as amended by PD No. 245.

#### **COMPLIANCE WITH REGULATORY REQUIREMENTS**

9. In CY 2023, the NTA complied with the regulatory requirements to: (a) withhold/declare and remit taxes to the Bureau of Internal Revenue (BIR); (b) remit employees' and employer's shares premium contributions to the GSIS; and (c) remit employees' and employer's premium contributions to Philippine Health Insurance Corporation (PhilHealth) and Home Development Mutual Fund (HDMF). Withheld taxes and premium contributions and remittances to the BIR, GSIS, PhilHealth and HDMF are presented in Table 20.



**Table 20 – Schedule of Remittances in Compliance with Regulatory Requirements**

Law, Rules and Regulations	Government Agency	Amount Remitted in CY 2023	Balance as at 12/31/2023	Remittance in 2024	
				Amount Remitted	Date Remitted*
Department of Finance-DBM-COA JC No. 1-2000	BIR	P 21,445,975	P 3,526,596	P 3,526,596	January 2024
RA No. 8291, otherwise known as the "GSIS Law"	GSIS	24,792,467	2,109,632	2,109,632	January 2024
RA No. 7875, as amended by RA No. 9241, otherwise known as the "National Health Insurance Act"	PhilHealth	3,382,806	353,524	353,524	January 2024
RA No. 9679, otherwise known as the "HDMF Law"	HDMF	5,475,987	256,067	256,067	January 2024

\* Different dates of remittance in January 2024 by the CO and PBOs

**SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

10. Table 21 shows the summary of the unsettled audit disallowances, suspension, and charge as of December 31, 2023, the details and status thereof are presented in **Annex A** of this Report.

**Table 21 – Summary of Audit Disallowances, Suspension, and Charge As of December 31, 2023**

Particulars	Beginning Balance	CY 2023		Ending Balance
	January 1, 2023	Issuance	Settlement	December 31, 2023
Disallowances	P 24,827,238	P 54,000	P 136,570	P 24,744,668
Suspension	22,575	-	22,575	-
Charge	54,280	-	51,233	3,047
	<b>P 24,904,093</b>	<b>P 54,000</b>	<b>P 210,378</b>	<b>P 24,747,715</b>

- 10.1. The composition of the Notices of Disallowance (NDs) as of December 31, 2023 in the total amount of P24.745 million is shown in Table 22.

**Table 22 – Composition of Audit Disallowances**

	Qty.	Amount
NDs with Notices of Finality of Decision (NFDs) and COA Orders of Execution	25	P 6,402,171
NDs with NFDs	2	404,000
NDs with Adjudication and Settlement Board Decisions	2	86,895
NDs with Cluster Decisions under Petition for Review/Automatic Review by the Commission Proper	15	17,821,602
ND with Appeal Memorandum	1	30,000
	<b>45</b>	<b>P 24,744,668</b>

**PART III - STATUS OF IMPLEMENTATION  
OF PRIOR YEARS' AUDIT  
RECOMMENDATIONS**

### PART III – STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS

Of the 39 audit recommendations embodied in the prior years’ Annual Audit Reports (AARs), 14 were implemented and 25 were not implemented, details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
<b>2022 AAR FINANCIAL Audit Observation (AO) No. 1 Page 58</b>	<p>The non-recognition of interest in the aggregate amount of P90.849 million as of December 31, 2022, on the long-term Financial liabilities - Notes payable through the Omnibus Credit Line (OCL) of the NTA with the Philippine National Bank (PNB) under Credit Agreement dated June 24, 1996, which was transferred by the PNB to the Philippine Deposit Insurance Corporation (PDIC) by way of <i>dacion en pago</i> Agreement on July 30, 2002, is not in accord with Paragraph 7 of the International Public Sector Accounting Standard (IPSAS) 1, on the accrual basis of accounting and Paragraph 16 of IPSAS 3, on the consistent application of accounting policies, and consequently understated the Interest payable and Interest expense accounts by P90.849 million and P3.234 million, respectively, and overstated the Accumulated surplus/ (deficit) account by P87.615 million as at December 31, 2022. The request of the NTA for renegotiation on lowering the interest rate and condonation of penalties and the proposal for loan restructuring are still being evaluated by the PDIC.</p>	<p>We reiterated our previous year’s recommendations that Management:</p> <ol style="list-style-type: none"> <li>a. Require the Accounting Division to recognize the interest on the Notes payable to the PDIC in the aggregate amount of P90.849 million as of December 31, 2022, in compliance with Paragraph 7 of IPSAS 1 and Paragraph 16 of IPSAS 3, pending approval of the NTA’s request for the restructuring of loan and lowering of interest and condonation of penalty charges; and</li> <li>b. Coordinate closely with the PDIC on the approval of NTA’s request for loan restructuring, lowering of interest, and condonation of penalties.</li> </ol>	<p>Not Implemented.</p> <p>Updated in Part II – Observation and Recommendation No. 2 of this Report.</p> <p>Implemented.</p> <p>NTA has constantly followed up, through letters, with PDIC on the proposed restructuring of the loan. In a letter dated May 31, 2023, the PDIC informed the NTA that the proposed terms and conditions of the settlement agreement with Bangko Sentral ng Pilipinas (BSP) are yet to be approved/finalized.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 2 Page 62	The non-recognition of Competitive Enhancement Fees in the total amount of P11.129 million earned in the second semester of CY 2022 for deliveries made to the Cigar/Cigarette Manufacturers by the Redrying Plants, companies duly licensed by the NTA to redry, process, thresh and/or pack leaf tobacco, is not in accordance with the recognition criteria on revenue from exchange transactions under Paragraph 19(c) of IPSAS 9 and Paragraph 7 of IPSAS 1, thereby resulting in the understatement of Service and business income – Supervision and regulation enforcement fees account for the year ended December 31, 2022 and Accounts receivable account as at December 31, 2022 both by P11.129 million.	<p>We recommended that Management:</p> <ol style="list-style-type: none"> <li>a. Instruct the Head of the Accounting Division to:               <ol style="list-style-type: none"> <li>(i) strictly observe the accrual basis of accounting, and</li> <li>(ii) recognize the Competitive Enhancement Fees for the second semester of CY 2022 in the books of accounts to fairly present in the financial statements as at and for the year ended December 31, 2022 the Accounts receivable and the Service and business income-Supervision and regulation enforcement fees accounts;</li> </ol> </li> <li>b. Require the Finance Department to:               <ol style="list-style-type: none"> <li>(i) issue/send the Notices of Billing to the Cigar/Cigarette Manufacturers for the collection of the Competitive Enhancement Fees within the 24-hour timeline provided under Rule 3, Regulation XII of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco; and</li> <li>(ii) furnish immediately the Accounting Division with copies of the Notices of Billing, as basis in recording of income from Competitive Enhancement Fees,</li> </ol> </li> </ol>	<p>Not Implemented.</p> <p>Updated and reiterated in Part II – Observation and Recommendation No. 3 of this Report.</p> <p>Implemented.</p> <p>Management issued Notices of Billing to the Cigar/Cigarette Manufacturers for the collection of the Competitive Enhancement Fees (CEF) within three working days upon receipt of the consolidated report from the Regulation Department pursuant to Rule 3 of NTA Memorandum Circular (MC) No. 001, Series of 2023 dated July 3, 2023.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 3 Page 66	The Other current liabilities-Other payables account with a balance of P36.719 million as at December 31, 2022 was overstated by P14.991 million due to: (a) erroneous recording of regulatory fees received in advance from tobacco traders, receipt of protocol research fees, payment of honoraria and other protocol research related-expenses in the amount of P10.497 million (net), which do not fall within the description/definition of Other payables account based on the Revised Chart of Accounts (RCA) for Government Corporations of Annex C of COA Circular No. 2020-002 dated January 28, 2020; thus, overstating the said account by P10.497 million and Accumulated surplus/(deficit) account	moving forward; and  c. Consider revising the provision of Rule 2, Regulation XII of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco, as to the basis of the imposition of Competitive Enhancement Fees to the Cigar/Cigarette Manufacturers, with due consideration of what is more advantageous to the NTA.	Implemented.  Management issued MC No. 001, Series of 2023 dated July 3, 2023 which amended Rule 1 - CEF, Rule 2 - Basis of the CEF, Rule 3 – Billing and Collection of CEF and Rule 4 – Payment of CEF, all Regulation XII, of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco.
		We recommended that Management require the Accounting Division to effect necessary corrections on the erroneous recording of transactions, i.e. regulatory fees received in advance from tobacco traders, receipt of protocol research fees, payment of honoraria and research related-expenses as well as non-recognition of earned portion of protocol research fees and regulatory fees, to fairly present in the financial statements the Other current liabilities-Other payables account as at December 31, 2022 and other accounts affected.	Not Implemented.  The Accounting Division in July 2023 reclassified the application of the customer deposit from Other payables – import/export account to Other unearned revenue/income account amounting to P7.058 million. However, the income, collection of fees, and expenses incurred on the protocol research projects are still recorded under Other current liabilities-Other payables account.
		We further recommended that Management instruct the Accounting Division to regularly monitor the transactions on the deposits of regulation fees	Not Implemented.  Management recognized in the books the regulatory fees received in advance under

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>by P207,338; while the Deferred credits - Other unearned revenue/income, Service income-research fees and expenses accounts were understated by P10.886 million, P124,694 and P306,702, respectively; and (b) non-recognition of realized portion of protocol research and regulatory fees, thus, the said account was overstated by P4,493,508, while the Service income-research fees and Accumulated surplus/(deficit) accounts were understated by P2,668,209 and P1,825,299, respectively, contrary to the revenue recognition principle provided under Paragraph 19(c) of IPSAS 9.</p>	<p>made by tobacco traders and protocol research conducted for private fertilizer, pesticide and suckercide companies to minimize, if not avoid misstatements in the recording of financial transactions.</p>	<p>Deferred credits - Other unearned revenue/income account except transactions pertaining to protocol research projects.</p>
<p><b>NON-FINANCIAL</b> AO No. 4 Page 71</p>	<p>Several deficiencies were noted in the implementation of the Emergency Cash Assistance (ECA) granted to the tobacco farmers by the NTA Abra, Cagayan, Candon, and Vigan PBOs, thus, there is no assurance that the ECA were indeed granted to qualified tobacco farmers and duly received by the recipients, as follows:</p> <p>a. In NTA Abra, Candon, and Vigan PBOs, 13,623 tobacco farmers were granted ECA amounting to P20.435 million despite that the lists of beneficiaries were not approved by</p>	<p>We recommended that NTA top Management direct the:</p> <p>a. Managers of NTA Abra, Candon, and Vigan PBOs to:</p> <p>a.1. Submit to the Audit Teams concerned, for verification and validation, the following documents:</p> <p>i. Duly-approved List of Beneficiaries of ECA duly verified from the Masterlist of the DAOP and approved by the NTA</p>	<p>Implemented.</p> <p>The Managers of NTA Abra, Candon, and Vigan PBOs submitted to the Audit Teams concerned the documents requested on the implementation of the ECA granted to the tobacco farmers for verification and validation.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>authorized signatories, contrary to Section V.3 of the Implementing Guidelines (IG) of ECA;</p> <p>b. Non-submission by the tobacco farmers of photos evidencing physical damage to their tobacco plantation due to natural calamities, in NTA Abra, Candon, and Vigan PBOs;</p> <p>c. There were 4,978 unqualified tobacco farmers who were given ECA in the total amount of P7.467 million in NTA Abra, Candon, and Vigan PBOs considering that, among others: (i) they were not affected by natural calamities; (ii) they are not included in the Registry System for Basic Sectors in Agriculture (RSBSA) as they do not have registration numbers; and (iii) they did not plant tobacco in CYs 2021 to 2022, contrary to Section IV of the IG of ECA; and</p> <p>d. In NTA Abra, Cagayan, Candon, and Vigan PBOs, inconsistencies were noted in the signatures of farmer-recipients appearing in the payrolls, Cash Input Vouchers (CIVs), and photocopies of</p>	<p>Administrator;</p> <p>ii. Photographs showing physical damage on the tobacco plantation or crops of the tobacco farmer-beneficiaries due to natural calamities, such as, typhoons, floods, freak rains, and earthquake;</p> <p>iii. Proof of registration of the farmer-beneficiaries with the RSBSA;</p> <p>iv. Proof that the farmer-recipients planted tobacco in CYs 2021-2022; and</p> <p>v. Duly-certified photocopies of valid IDs of the farmer-recipients with photographs and signatures affixed therein;</p> <p>a.2. Hold responsible/accountable the erring personnel who granted ECA to tobacco farmers who are not qualified under the Program; and</p>	<p>Implemented.</p> <p>The Administrator/Chief Executive Officer issued a Memorandum dated December 19, 2023 addressed to the Branch Managers and employees of the PBOs concerned, imposing administrative sanction of Warning/Admonition against the officers,</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	identification cards (IDs); the CIVs did not bear the signature of Extension Workers; and some IDs of farmer-recipients were without signatures and/or photographs, among others.	<p>a.3. Henceforth, ensure that the IG of ECA is strictly complied with to guarantee that only qualified tobacco-farmer beneficiaries shall benefit from the Program; and</p> <p>b. Managers of NTA Abra, Candon, Cagayan and Vigan PBOs to coordinate with the DAOP and FTSD/ Management Information System – Corporate Planning Department for the conduct of an investigation on the: (i) inconsistencies noted on the signatures of farmer-beneficiaries on various documents; and (ii) grant of ECA to unqualified tobacco farmers.</p>	<p>including the Extension Workers and staff who facilitated the ECA distribution based on the investigation on the matter.</p> <p>Implemented.</p> <p>Management ensured that future distribution of ECA will be based on its IG to guarantee that only qualified beneficiaries are granted with the assistance.</p> <p>Not Implemented.</p> <p>Management of Abra, Candon, Cagayan and Vigan PBOs coordinated with the NTA Central Office (CO) to conduct the necessary investigation, but still pending action by the latter.</p>
AO No. 5 Page 77	The collectability of dormant Loans Receivable, which remained inactive or non-moving in the books of accounts for more than 10 years, in the aggregate amount of P218.099 million as of December 31, 2022, representing 20.39 per cent of total Loans Receivable of P1.070 billion, is already remote, if not nil, due to,	<p>We reiterated our previous years' recommendations that top Management:</p> <p>a. Direct the Accountants and other officials/ employees concerned of the NTA CO and PBOs to gather the required documents enumerated under COA Circular No. 2016-005 dated December 19, 2016, to support the request for</p>	<p>Updated and reiterated in Part II – Observation and Recommendation No. 6 of this Report.</p> <p>Not Implemented.</p> <p>Management has not yet completed the documents required to support the request for authority to write-off dormant loans receivable accounts.</p>



Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>among others: (a) lack of loan documents/records to establish the validity of the accounts as there was no proper turn-over of records from the former PBO Accountants to the incumbent Accountants; (b) unknown whereabouts/ addresses of some of the farmer-borrowers; (c) some of the farmer-borrowers are already deceased; and (d) SOAs are not regularly sent/issued to farmer-borrowers and/or demand letters are not sent to defaulting farmer-borrowers; thus, deprived the NTA of additional funds for its operations and/or to finance projects aligned with its mandate.</p>	<p>authority to write-off dormant Loans Receivable accounts aged more than 10 years, if all efforts exerted in collecting the accounts from farmer-borrowers remained improbable;</p> <p>b. Require the Administrative Departments of NTA CO and PBOs to ensure that proper turn-over of documents is made by retiring, resigning or reassigned/transferring employees before clearance from money and property accountabilities is issued to them; and</p> <p>c. Instruct the Managers of the PBOs concerned to require their Accountants to:</p> <p>c.1 Communicate in writing with the relatives of the deceased farmer-borrowers to request authenticated copy of the death certificates, as one of the documents to support the request for authority to write-off;</p> <p>c.2 Intensify collection efforts by sending religiously the SOAs/demand letters to farmer-borrowers to</p>	<p>Implemented.</p> <p>Proper turn-over of documents is practiced by the NTA when there is a transfer of accountabilities.</p> <p>Implemented.</p> <p>Coordination with the immediate family/relative of the deceased farmer-borrowers is on-going.</p> <p>Not Implemented.</p> <p>Sending of demand letters was not properly observed due to various reasons, such as, unknown addresses of</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		prevent/minimize the accumulation of dormant accounts; and	the borrowers, as well as, the lack of time and manpower in the PBOs.
		c.3 Initiate legal action against defaulting farmer-borrowers with long overdue accounts, if no settlement is made despite demand letter(s) sent; and	Not Implemented.  No legal action was taken by Management against defaulting farmer-borrowers with overdue accounts.
		d. Consider the financial capability of the farmer-borrowers before granting loans, to avoid accumulation of unpaid accounts, otherwise, revisit the policy on the granting, collection, and monitoring of loans.	Not Implemented.  Although it has been the policy of the NTA to assess financial capability of farmer-borrowers before granting loans, some farmer-borrowers with existing past due accounts were still granted new loans.
AO No. 6 Page 81	The NTA Abra, Candon, and Vigan PBOs granted new loans in the total amount of P60.714 million to 1,065 farmer-borrowers despite the latter still have existing past due loan balances from other loan programs/projects aggregating P63.895 million. Consequently, other qualified farmer-borrowers were deprived of the opportunity to avail of the loan programs and resulted in the accumulation of unpaid accounts.	We reiterated our previous year's recommendations that top Management:  a. Direct the Managers of NTA Abra, Candon, and Vigan PBOs to:  a.1. Require the Operations Division to:  a.1.1. Ensure that blacklisting of farmer-borrowers with delinquent or with past due loan balances as provided in the IGs of the various projects/programs of the	Not Implemented.  In CY 2023, new loans were granted to farmer-borrowers with delinquent or with past due loan balances in NTA Candon, Vigan and Abra PBOs.

Reference	Observations	Recommendations	Actions Taken/ Comments
		NTA are strictly enforced; and	
a.1.2.	Prepare the master list of farmer-borrowers indicating therein, among others, the name of borrower; address; contact number; amount and date of loan; number of years to pay; due date; outstanding loan balances; and status of borrower whether active, delinquent or blacklisted on all loan programs of NTA, and provide the Accounting Division a copy thereof;		Not Implemented.  The Accountant of NTA Vigan PBO has started the preparation of the master list of delinquent borrowers. However, the master lists of delinquent borrowers were not yet submitted by NTA Abra and Candon PBOs.
a.2.	Instruct the Operations and Accounting Divisions to closely coordinate with each other, specifically on the processing of loan applications of the farmer-borrowers, to ensure that no new loans are granted to delinquent or with outstanding loans from other programs; and		Not Implemented.  Loans to farmer-borrowers with delinquent or with past due loan balances were still granted in CY 2023.

Reference	Observations	Recommendations	Actions Taken/ Comments
		a.3. Stop granting new loans to farmer-borrowers with unpaid past due accounts to avoid accumulation of dormant receivables;	Not Implemented.  Although it is included in the IG of the Tobacco Contract Growing System to grant new loans only to farmer-borrowers who paid the full amount of the production assistance availed of, the farmer-borrowers with delinquent or with past due loan balances were still granted with additional loans in CY 2023.
		b. Set maximum limit of the overall amount of loan that can be availed of by a farmer-borrower to avoid over exposure to various NTA loan programs; and	Not Implemented.  The Audit Team will monitor compliance by NTA in CY 2024 audit pending the action taken by the CO.
		c. Require the Internal Audit Division of NTA CO to conduct review of the processes and procedures in the granting of loans to farmer-borrowers by the PBOs, to identify weaknesses in the internal control, specifically on the screening, availment, processing, recording and monitoring of loans under the various loan programs of NTA.	Implemented.  The review of the processes and procedures of some projects is currently undertaken by the Internal Audit Division (now the Internal Audit Department) of the CO.
		We further recommended that top Management:	
		d. Direct the Management Information System Division of the Corporate Planning Department to develop a system that will	Not Implemented.  The development of a system for the automation of loan receivable is on-going.

Reference	Observations	Recommendations	Actions Taken/ Comments
		<p>automate the process on the granting of loans to farmer-borrowers; and</p> <p>e. Require all officials and personnel concerned to adhere strictly to the IGs of the various NTA projects/programs to avoid granting of new loans to farmer-borrowers with existing past due balances from other loan programs, otherwise, hold them responsible/accountable for not complying with NTA's policies and guidelines.</p>	<p>Not Implemented.</p> <p>Farmer-borrowers with delinquent or with past due loan balances were still granted with additional loans in CY 2023.</p>
AO No. 7 Page 84	The rules and regulations on GAD were not strictly complied with by NTA in CY 2022 considering the following deficiencies:		Updated and reiterated in Part II – Observation and Recommendation No. 7 of this Report.
	<p>a. Non-formulation of NTA's GAD Agenda which would serve as the Agency's strategic framework and plan on gender mainstreaming, contrary to Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, hence, casts doubt on whether all gender issues of the NTA and its clients have been completely identified and addressed in accordance with its mandate; and</p> <p>b. Separate Responsibility Center (RC) and RC code for GAD Focal</p>	<p>We reiterated our prior year's recommendations that top Management: (a) constitute the planning team to formulate the six-year GAD Agenda, consisting of the GADSF and GADSP, and consider tapping the assistance of PCW in the formulation thereof; and (b) submit the same to the PCW in accordance with PCW MC No. 2018-04 dated September 19, 2018.</p> <p>We also recommended that top Management instruct the Accounting Division to create/assign RC and RC Codes for</p>	<p>Not Implemented.</p> <p>The GFPS is preparing a proposal for the orientation/training on the Gender and Development (GAD) Agenda/Strategic Framework, wherein the Top Management, all Managers and GFPS members will attend. A resource person accredited by the PCW will be invited by the end of the third quarter of CY 2024. The output shall be the Agency's GAD Agenda.</p> <p>Implemented.</p> <p>Subsidiary ledgers and RC Codes for GFPS on all GAD-related expenses</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	Point System (GFPS) were not created/assigned for GAD-related expenses and transactions, contrary to Sections 4.2 to 4.7 of COA Circular No. 2021-008 dated September 6, 2021, thus, would result in the difficulty in monitoring GAD budget vis-à-vis expenses.	GFPS to facilitate the generation of all reports pertaining to GAD-related expenses and other GAD-related financial transactions as required by COA Circular No. 2021-008.	are being maintained by the Accounting Division.
AO No. 8 Page 87	The insurable properties of the NTA Abra and Candon PBOs as well as the NTA Vigan Training Center located in San Juan, Ilocos Sur, in the aggregate amount of P46.436 million were not insured with the General Insurance Fund (GIF) administered by the Government Service Insurance System (GSIS) in CY 2022, contrary to Republic Act (RA) No. 656, as amended by Presidential Decree (PD) No. 245, and Section 1 of Administrative Order (AO) No. 33, s. 1987, thus, the Agency will not be indemnified in case of damage or loss of properties due to fortuitous events and allied risks.	We recommended that Management ensure that all insurable properties, assets, and other insurable interests of the NTA are covered with adequate insurance with the GIF of the GSIS, in compliance with Section 2 of RA No. 656, as amended by PD No. 245, and Section 1 of AO No. 33, s. 1987.	Implemented.  The NTA Abra and Vigan Training Center submitted for CYs 2023 to 2024 the insurance coverage from the GSIS.
<b><u>2021 AAR</u></b> <b><u>FINANCIAL</u></b> AO No. 2 Page 60	The Property, Plant, and Equipment (PPE) - Land account with book value of P101.570 million as at December 31, 2021 is overstated by P43.075 million, due to: (a) inclusion of real properties in the books of NTA-CO amounting to P42.922 million which are	We recommended that Management require the:  a. Accounting Division and General Services and Procurement Division (GSPD) to:  a.1. Reconcile the accounting and property records	Not Implemented.  The reconciliation

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>not held for use in the supply of services, rental to others or administrative purposes, contrary to Paragraph 13 of IPSAS 17, while the Investment Property (IP) - Land account is understated by the same amount as these properties are held for a currently undetermined future use; and (b) double recording of a commercial lot located in La Union amounting to P153,430, which also resulted in the overstatement of the Government Equity (GE) account.</p>	<p>on the PPE - Land account in accordance with Item 6.3 of COA Circular No. 2020-006 dated January 31, 2020, determine cause(s) of variances noted, and adjust/correct affected records to come up with reliable and reconciled balances of PPE - Land account;</p>	<p>between the RPCPPE vis-a-vis accounting records is still on-going.</p>
		<p>a.2. Submit the reconciliation working paper on the PPE - Land account, duly supported with relevant documents, to the Audit Team, for audit/verification purposes; and</p>	<p>Not Implemented.</p>
		<p>a.3. Coordinate with the concerned NTA PBOs Accounting and Property Divisions to ascertain whether the real properties that were excluded in the NTA-CO property records are recorded/ included in the PBOs' accounting and property records so that appropriate adjustments/ corrections will be effected</p>	<p>Not Implemented. Close coordination with the Departments/ Divisions concerned is on-going to address the issue.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		<p>accordingly;</p> <p>b. GSPD to: (i) determine the persons responsible for the safekeeping of documents related to PPE-Land account; and (ii) locate the Transfer Certificates of Title (TCTs), Tax Declarations (TDs), and other documents to establish NTA's ownership of the 138 real properties which were excluded/adjusted in the CY 2021 RPCPPE; and</p> <p>c. Moving forward, Inventory Committee to conduct complete annual physical inventory/count of properties of NTA-CO and PBOs pursuant to Section 38, Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.</p>	<p>Not Implemented.</p> <p>The Administrative Department and the GSPD are collating copies of TCTs and TDs as evidence of NTA's ownership over the real properties for consolidation and titling purposes.</p> <p>Not Implemented.</p>
<p>AO No. 5 Page 74</p>	<p>The faithful representation in the FSs of the balance of the Receivables-Loans Receivable account as at December 31, 2021 totaling P1.048 billion could not be established due to inclusion of inactive or non-moving accounts for 10 years or more in the books of NTA-CO and eight PBOs, namely, Candon, La Union, Batac, Isabela, Abra, Vigan, Pangasinan and Iloilo aggregating</p>	<p>We recommended that Management:</p> <p>a. Institute all measures to locate the supporting documents or schedules to establish actual loan balances and validity of Loans Receivable account to faithfully present the balance of this account in the FSs as well as facilitate collection thereof; and</p>	<p>Not Implemented.</p> <p>Management has not yet located the supporting documents or schedules to establish the actual loan balances and validity of loan receivables considering the bulk of the unsupported receivables were released in CYs 2010 or earlier.</p>



Reference	Observations	Recommendations	Actions Taken/ Comments
	P132.145 million, which were not supported with Subsidiary Ledgers (SLs), loan documents and other reports, contrary to Paragraph 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (CFGPF RPSE).	b. Moving forward, direct the Accounting Division of PBOs concerned to prepare SLs by coordinating with the Operations Division and verifying source documents, as basis in sending billing statements to farmer-borrowers, and demand letters for those with past due or delinquent accounts.	Implemented.  The Accounting Division of PBOs concerned now maintains SLs for farmer-borrowers.
<b>2020 AAR FINANCIAL AO No. 2 Page 58</b>	The correctness and reliability of tobacco regulation-related revenues collected in the amount of P28.912 million cannot be verified and validated because the Charge Slips/Statement of Account (SOAs) as basis in the computation and assessment of corresponding fees by the Regulation Department were not attached to the Official Receipts (ORs) and monthly Report of Collections and Deposits (ROCD), since this matter was not included in the NTA's Manual of Operations. Hence, we were unable to determine whether any adjustments to these amounts were necessary considering that sufficient appropriate evidence was not obtained to support the amounts indicated in the ORs and monthly ROCD.	We recommended that Management to amend and update the NTA's Manual of Operations to include, among others, procedures that will strengthen internal control measures relating to: (a) check and balance within and among Divisions/Departments and NTA as a whole; (b) correctness of the assessed and collected fees; and (c) procedures presently performed but not mentioned in the Manual.	Implemented.  The Manual of Operations was updated on August 8, 2023 to include the recommended procedures.

<b>Reference</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Actions Taken/ Comments</b>
<b><u>2019 AAR</u></b> AO No. 11 Page 71	The audit disallowances and charges in the amount of P34.370 million which became final and executory remained uncollected and unsettled contrary to the provisions of COA Circular No. 2009-006 dated September 15, 2009, prescribing the use of the Rules and Regulations on the Settlement of Accounts. Further, settlements of disallowances were made on installment basis without the authority required under COA Resolution No. 2015-031 dated August 20, 1995 and Section 23.1 of COA Circular No. 2009-006.	We recommended that Management: <ul style="list-style-type: none"> <li>a. Direct the concerned NTA officials to exhaust all possible remedies to settle both the dormant and current audit disallowances of P34.370 million in compliance with the pertinent provisions of COA Circular No. 2009-006; and</li> <li>b. Comply with COA Resolution No. 2015-031 on the settlement of audit disallowances.</li> </ul>	Implemented.  Persons liable who are still employed with the NTA are settling their disallowances through monthly salary deductions. Likewise, for those retiring employees, the outstanding balance of their disallowances is deducted from the proceeds of their terminal leave pay. The retiring employee executes an authorization in the form of an Affidavit for the aforementioned deduction.  Not Implemented.  The Audit Team notified Management to comply with COA Resolution No. 2015-031, as amended by COA Resolution No. 2017-021 dated November 3, 2017, on the settlement thru installment of the audit disallowances. However, Management still did not file a request for partial installment of disallowances.
<b><u>2017 AAR</u></b> AO No. 9 Page 86	The Tobacco Dust Production Agribusiness Project (TDPAP) located in Sto. Tomas, La Union incurred a total loss of P32.883 million since it started operations in 2009 due to poor planning and execution thus, casting	We reiterated our recommendation that Management develop alternative business options for the tobacco dust plant in the event that it will no longer pursue its operation such as offer for lease or disposal of the	Not Implemented.  Updated and reiterated in Part II – Observation and Recommendation No. 4 of this Report.

Reference	Observations	Recommendations	Actions Taken/ Comments
	doubt on the ability of NTA to pursue the objective of the project. In addition, the Employees' Quarter of TDPAP with a net book value of P0.879 million remained idle.	plant so as not to waste government funds and property.	

## **PART IV - ANNEX**

## DETAILS AND STATUS OF UNSETTLED AUDIT DISALLOWANCES AND CHARGE As of December 31, 2023

### I. Notices of Disallowance (NDs)

ND No./Date	Persons Liable	Nature	Amount	Status
<b>A. NDs with Notices of Finality of Decision (NFDs) and COA Orders of Execution (COEs)</b>				
<b>A.1. Central Office (CO)</b>				
09-004-111B/ 02/03/2010	Former Administrator; Officer-in-Charge (OIC)-Deputy Administrator for Support Services (DASS); Former Finance Manager; Budget Officer V; Manager, Internal Audit; former Chief Accountant; and three former Members of the Board	Per diems received by NTA Board of Directors (BOD) which do not fall within their powers and functions as provided in Section 6 of Executive Order (EO) No. 245.	P 49,960	With NFD dated December 14, 2012 and amended NFD dated November 12, 2015 and corresponding COE issued on November 25, 2015.  The total amount disallowed was P55,890 with partial settlement of P5,930.
09-005(10)/ 08/25/2010	Former OIC-Administrator; Former Finance Manager; Budget Officer V; Former Chief Accountant; and two former Members of the Board	Expenses incurred by the members of the Governing Board (cash advance) in conducting farmers meeting, contrary to their duties and functions under EO No. 245.	30,000	With NFD dated December 14, 2012 and corresponding COE issued on November 25, 2015.  The amount disallowed was P40,000 with partial settlement of P10,000.
10-001(09)/ 06/24/2010	Former Administrator; Former OIC-DASS; Former Finance Manager; Manager, Internal Audit; Budget Officer V; Former Chief Accountant; and four former Members of the Board	Per diem received by each member of the BOD for every attendance to Executive Committee meeting was not provided under EO No. 245 hence, wanting of legal basis.	220,000	With NFD dated February 14, 2011, and corresponding COE issued on November 25, 2015.  With another NFD No. 2020-381 dated November 25, 2020.  The amount disallowed was P320,000 with partial settlement of P100,000.
10-002(10)/ 06/29/2010	Former Administrator; OIC-DASS; Former Finance Manager; Manager, Internal Audit; Budget Officer V; Former Chief Accountant; Human Resource Management Officer (HRMO); and six Members of the Board	Collective Negotiation Agreement (CNA) cash incentive granted to NTA officials and employees and members of the Governing Board for Calendar Years (CYs) 2007 to 2009 which has no funding source as required in Item 7 of Department of Budget and Management (DBM) Budget Circular (BC) No. 2006-1 dated February 1, 2006.	578,435	With NFD dated February 14, 2011 and corresponding COE issued on November 25, 2015.  The amount disallowed was P2,175,000 with partial settlements of P1,596,565.

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
10-003(10)/ 07/13/2010	Former Administrator; OIC-DASS; Former Finance Manager; Manager, Internal Audit; Budget Officer V; Former Chief Accountant; and six Members of the Board	Increase of per diem from P5,000 to P15,000 or equivalent to P10,000 each, collected for every special meeting attended by the members of the Governing Board has no approval from the DBM or Office of the President (OP).	30,000	With NFD dated February 14, 2011, and corresponding COE issued on November 25, 2015.  With another NFD No. 2020-381 dated November 25, 2020.  The amount disallowed was P60,000 with partial settlement of P30,000.
10-004(10)/ 07/13/2010	Former Administrator; OIC-DASS; Former Finance Manager; Manager, Internal Audit; Budget Officer V; Former Chief Accountant; HRMO; and four Members of the Board	Creation of the Executive Board Committee was not provided for under EO No. 245, hence the per diem collected by the members of the Governing Board is wanting of legal basis.	65,000	With NFD dated February 14, 2011 and corresponding COE issued on November 25, 2015.  With another NFD No. 2020-381 dated November 25, 2020.  The amount disallowed was P95,000 with partial settlement of P30,000.
10-006(10)/ 08/11/2010	Former Administrator; OIC-DASS; Former Finance Manager; Budget Officer V; Former Chief Accountant; Members of the Board; and NTA officers and employees	CNA paid to officials and employees and Members of the Governing Board for CYs 2007 to 2009 has no funding source as required in Item 7 of DBM BC No. 2006-1 dated February 1, 2006.	593,394	The Petition for Certiorari is dismissed by the Supreme Court en Banc under G.R. No. 217915 promulgated on October 12, 2021. The decision became final and executory on April 13, 2022 and recorded in the Book of Entries of Judgments.  With NFD dated October 12, 2015 and corresponding COE issued on December 29, 2015.  The amount disallowed was P2,150,000 with partial settlements of P1,556,606.
10-007(10)/ 09/06/2010	Former Administrator; Former OIC-DASS; Former Finance Manager; Budget Officer V; Former Chief, Accounting Division; former Chief, Administrative Division; and six former Members of the Board	Increase of per diem from P5,000 to P15,000 had no approval from the DBM or OP.	115,500	With NFD No. 2020-381 dated November 25, 2020 and corresponding COE issued on October 12, 2021.  The amount disallowed was P240,000 with partial settlements of P124,500.
13-007-101 (2010-2012)/ 09/30/2013	Deputy Administrators and NTA-CO Department Managers	Representation and Transportation Allowance (RATA) paid to NTA-CO officials were in excess of the authorized rates	110,050	With NFD dated May 31, 2019 and corresponding COE issued on June 27, 2019.  The amount disallowed was P489,600 with partial settlements of P379,550.

ND No./Date	Persons Liable	Nature	Amount	Status
		provided under Sections 47 (Fiscal Year [FY] 2010), 51 (FY 2011) and 45 (FY 2012) of the General Appropriations Acts (GAAs) for FYs 2010, 2011 and 2012.		
13-008-101(2010-2012)/09/30/2013	NTA Provincial Branch Office (PBO) Managers	RATA paid to NTA-PBO Managers were in excess of the authorized rates provided under Sections 47 (FY 2010), 51 (FY 2011) and 45 (FY 2012) of the GAAs for FYs 2010, 2011 and 2012.	300,000	With NFD dated May 31, 2019 and corresponding COE issued on June 27, 2019.  The amount disallowed was P320,000 with partial settlement of P20,000.
14-004-101(2005)/09/18/2014	Former Administrator; Former OIC-Finance Department; Former Chief Accountant; Manager, Administrative Department, and Private Legal Counsel/payee	Payment of Contract of Service from July to December 31, 2005 without written concurrence from COA.	92,405	With NFD dated September 5, 2019 and corresponding COE issued on October 7, 2019.  The amount disallowed was P115,506 with partial settlement of P23,101.
14-06-101(13)/11/24/2014	Acting Administrator; Manager, Finance Department; Manager, Administrative Department; Chief Accountant; and payee	Purchase of clothing materials for NTA employees in addition to the clothing allowance of P5,000.	205,140	With NFD dated September 5, 2019 and corresponding COE issued on October 7, 2019.  The amount disallowed was P338,140 with partial settlement of P133,000.
14-07-101(13)/11/25/2014	Acting Administrator; Manager, Finance Department; Chief Accountant; Budget Officer V and payee	No approval from Civil Service Commission of NTA's Employee Awards System for CY 2013.	155,400	With NFD dated May 31, 2019 and corresponding COE issued on June 27, 2019.  The amount disallowed was P178,000 with partial settlement of P22,600.
18-04 (2016)/08/10/2018	Former Acting Administrator; Manager, Finance Department; Budget Officer V; Manager, Administrative Department; Chief Accountant, Accounting Department; Former Deputy Administrator; and payee	Excess payment of Terminal Leave.	49,976	With NFD dated July 4, 2019 and corresponding COE issued on August 16, 2019.  The amount disallowed was P90,891 with partial settlement of P40,915.

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-004 (2012)/ 02/29/2016	Former OIC- Administrator; Manager, Finance Department; Budget Officer V; former Manager Administrative Department; former HRMO V and NTA officers and employees	Payment of Longevity Pay was disallowed in audit because the request for realignment of funds duly approved by the DBM to support the use of available funds (savings/project funds) for the purpose had not been submitted to the Audit Team as of February 29, 2016 to support the validity of the transaction.	327,533	With NFD No. 2023-007 dated May 22, 2023 and COE No. 2023-012 dated September 25, 2023.  The amount disallowed was P399,603 with partial settlement of P72,070.
<b>Sub-total – CO (15 NDs)</b>			<b>2,922,793</b>	
<b>A.2. PBOs</b>				
2013-01/ 12/03/2013	Manager, NTA La Union PBO	Payment of excess RATA for CYs 2011- 2012.	30,000	With NFD dated March 11, 2019 and corresponding COE issued on April 1, 2019.
11-001(10)/ 02/16/2011	Officers and employees concerned of NTA Ilocos Norte PBO	CNA Incentive for CYs 2007 to 2009.	772,859	With NFD dated December 17, 2013 and corresponding COE dated June 11, 2014.  The amount disallowed was P2,525,000 with partial settlement of P1,752,141.
2011-10-01/ 06/28/2012	Officials and employees concerned of NTA Isabela PBO	CNA has no funding source as required in Item 7 of DBM BC No. 2006-1 dated February 1, 2006.	458,885	With NFD and COE dated July 5, 2016.  The amount disallowed was P1,300,000 with partial settlement of P841,115.
11-001- 101(10)/ 02/17/2011	Officials and employees concerned of NTA La Union PBO	CNA has no funding source as required in Item 7 of DBM BC No. 2006-1 dated February 1, 2006.	1,755,934	With NFD dated April 28, 2015 and corresponding COE dated May 28, 2015.  The amount disallowed was P1,950,000 with settlement of P194,066.
11-001-GF (2010)/ 02/24/2011	Officials and employees concerned of NTA Pangasinan PBO	CNA has no funding source as required in Item 7 of DBM BC No. 2006-1 dated February 1, 2006.	5,900	With NFD dated November 10, 2013 and corresponding COE.
11-002-GF (2010)/ 08/03/2011	Officials and employees concerned of NTA Pangasinan PBO	CNA has no funding source as required in Item 7 of DBM BC No. 2006-1 dated February 1, 2006.	238,100	With NFD dated November 10, 2013 and corresponding COE.  The amount disallowed was P1,150,000 with settlement of P911,900.



<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
20-001-(19)/ 11/20/2020	NTA Ilocos Norte PBO employees	Payment of salary differential.	85,273	With NFD dated June 7, 2021 and corresponding COE dated April 22, 2022.
20-002-(19)/ 11/20/2020	NTA Ilocos Norte PBO employees	Payment of salary differential.	38,558	With NFD dated June 7, 2021 and corresponding COE dated April 22, 2022.
20-003-(19)/ 11/20/2020	NTA Ilocos Norte PBO employees	Payment of salary differential.	25,566	With NFD dated June 7, 2021 and corresponding COE dated April 22, 2022.
20-004-(19)/ 11/20/2020	NTA Ilocos Norte PBO employees	Payment of salary differential.	68,303	With NFD dated June 7, 2021 and corresponding COE dated April 22, 2022.
<b>Sub-total – PBOs (10 NDs)</b>			<b>3,479,378</b>	
<b>Total – CO and PBOs (25 NDs)</b>			<b>6,402,171</b>	

**B. NDs with NFDs**

**B.1. CO**

14-005(2013)/ 11/18/2014	Former Administrator; Former Manager, Finance Department; Former Manager, Administrative Department; Accountant; and payee	Acting Finance Former Chief and	Purchase of 14 units of vendo-machines and packs of coffee and chocolate.	350,000	With NFD No. 2023-078 dated March 6, 2023.
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**Sub-total – CO (1 ND) 350,000**

**B.2. PBO**

NTA-Isa- 2023-01/ 01/16/2023	Department Manager III and Driver II of NTA Isabela PBO	Excess traveling expenses paid in CYs 2020 and 2021.	54,000	With NFD No. 2023-001 dated November 14, 2023.
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**Sub-total – PBO (1 ND) 54,000**

**Total – CO and PBO (2 NDs) 404,000**

**C. NDs with Adjudication and Settlement Board (ASB) Decisions**

**C.1. CO**

09-001-111B/ 08/25/2009	Former Chief Accountant; Manager, Internal Audit; former Acting Legal Counsel; former OIC-DASS and former private legal counsel	Reimbursable expenses of former NTA private legal counsel.	40,895	With ASB Decision No. 2012-012 dated April 12, 2012, which affirmed the Corporate Government Sector (CGS)-C Decision No. 2010-007 dated October 6, 2010 where the Appeal was denied.
09-003-111B/ 01/29/2010	Former Administrator; HRMO V; Former Finance Manager; Budget Officer V; Manager, Internal Audit; former Legal Consultant and four former Members of the Board	Grant of year-end bonus to some members of NTA Governing Board and Legal Consultant without legal basis.	46,000	With ASB Decision No. 2012-012 dated April 12, 2012 which affirmed the CGS-C Decision No. 2010-007 dated October 6, 2010 where Appeal was denied.  The amount disallowed was P69,000 with partial settlement of P23,000.

**Total – CO (2 NDs) 86,895**

ND No./Date	Persons Liable	Nature	Amount	Status
<b>D. NDs with Cluster Decisions under Petition for Review/Automatic Review of the CP</b>				
<b>D.1. CO</b>				
10-009(10)/ 11/02/2010	Manager, Administrative Department and former concurrent OIC-Administrator; Former Finance Manager; Budget Officer V; Former Chief Accountant; Chief, Administrative Services; and payee	The contract cost on the interior improvements made at COA-NTA office was excessive as per Technical Evaluation Report dated August 26, 2010.	210,671	With Petition for Review.
13-009-101 (2012)/ 11/22/2013	Acting Administrator; Manager, Administrative Department; Chief Accountant; Chief Administrative Services Division; and payees	Payment of Educational Assistance Incentive Benefit (EAIB) for CY 2012.	1,859,831	With Petition for Review.
2015-002(10)/ 07/29/2015	Manager, Administrative Department and former concurrent OIC-Administrator; Former Finance Manager; Budget Officer V; Former Chief Accountant; Chief, Administrative Services; and payee	Supplemental to ND No. 10-009(10) dated November 2, 2010 - the entire contract cost of P543,000 on the interior improvements made at COA-NTA office was disallowed under CGS-5 Decision No. 2015-007 dated July 10, 2015.	332,329	With Petition for Review.
2016-02 (2012)/ 02/26/2016	Former OIC-Administrator; Finance Manager, Budget Officer V; and Manager, Administrative Department and payee	Payment of monetization of leave credits without approved budget in CY 2012 Corporate Operating Budget from DBM.	1,926,202	For automatic review.
2016-003 (2012)/ 02/26/2016	Former OIC-Administrator; Finance Manager, Budget Officer V; Chief Accountant; Manager, Administrative Department; Former HRMO V and NTA officers and employees	Payment of Anniversary Bonus during the 25 <sup>th</sup> Anniversary of NTA has no approved budget from DBM.	255,000	For automatic review.

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-005 (2012)/ 02/26/2016	Former OIC- Administrator, Finance Manager, Budget Department; Officer V; Manager, Administrative Department; Former HRMO V and 12 NTA officers and employees	Payment of monetization of leave credits without approved budget in CY 2012.	322,680	For automatic review.
2016-07 (15)/ 06/24/2016	Former OIC- Administrator; Finance Manager, Budget Department; Chief Officer V; Chief Accountant; Manager, Administrative Department; eight Project Management Team members; six members of NTA Governing Board; and supplier (payee)	Grant of awards/ incentives to tobacco farmers-cooperators under the Tobacco Contract Grower System for CYs 2013- 2014 in the form of agricultural implements as extravagant expenditures.	2,012,429	With Petition for Review.
2016-08(12 and 13)/ 07/19/2016	Former OIC- Administrator, Manager, Administrative Department/Bids and Awards Committee (BAC) Chairman; five BAC members and three payees	Per Technical Evaluation Report dated May 12, 2016 of the COA Appraisal Team, Technical Service Office, Systems and Technical Services Sector, COA, disclosed the price difference of P275 and P270 between the acquisition cost of P555 and P550 compared with the fair market value of the two parcels of land of P280 in the Municipality of Narvacan, Ilocos Sur purchased by NTA.	6,567,655	For automatic review.
<b>Sub-total – CO (8 NDs)</b>			<b>13,486,797</b>	
<b>D.2. PBOs</b>				
2017-001 (2012)/ 02/23/2017	Officials and employees concerned of NTA Ilocos Norte PBO	CY 2012 Longevity Pay.	363,260	With Petition for Review.
2014-02 (2012)/ 06/30/2014	Officials and employees concerned of NTA Pangasinan PBO	Payment of EAIB for CY 2012.	518,213	With Petition for Review.

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2014-03 (2012)/ 06/30/2014	Officials and employees concerned of NTA Ilocos Norte PBO	Payment of EAIB for CY 2012.	1,032,412	With Petition for Review.
13-001-101(2012)/ 11/26/2013	Officials and employees concerned of NTA Cagayan PBO	Payment of EAIB for CY 2012.	265,770	With Petition for Review.
13-001-101/ 11/26/2013	Officials and employees concerned of NTA Isabela PBO	Payment of EAIB for CY 2012.	944,069	With Petition for Review.
2014-02 (2012)/ 06/29/2014	Officials and employees concerned of NTA La Union PBO	Payment of EAIB for CY 2012.	411,081	With Petition for Review.
2013-001/ 10/14/2013	Officials and employees concerned of NTA Abra PBO	Payment of CNA Incentives for CYs 2007-2009.	800,000	With Petition for Review.
<b>Sub-total – Branches (7 NDs)</b>			<b>4,334,805</b>	
<b>Total – CO and Branches (15 NDs)</b>			<b>17,821,602</b>	

**E. ND with Appeal Memorandum**

**E.1. PBO**

2014-01 (2011-2012)/ 04/25/2014	Manager, NTA Pangasinan PBO	RATA paid in excess of authorized rates.	30,000	With Appeal from ND.
<b>Sub-total – Branch (1 ND)</b>			<b>30,000</b>	
<b>GRAND TOTAL (45 NDs)</b>			<b>P 24,744,668</b>	

**II. Notice of Charge (NC)**

<b>NC No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
16-02-(15)/ 05/03/2016	Former Executive Assistant IV; Department Manager; and five Tobacco Production and Regulation Officers	Balance of Finished Goods Inventory of Productivity and Growth thru Marketing Assistance – Multi-line Food Processing Plant which remained unaccounted after complete reconciliation of records as at December 31, 2015.	<b>P 3,047</b>	With NFD No. 2023-01 dated May 30, 2023 and COE No. 2023-011 dated September 25, 2023.  The amount charged was P135,014 with partial settlement of P131,967.
<b>GRAND TOTAL (1 NC)</b>			<b>P 3,047</b>	