**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS’**

**AUDIT RECOMMENDATIONS**

Of the 48 audit recommendations embodied in the Annual Audit Reports (AARs) for Calendar Years (CYs) 2018 and prior years, 10 were fully implemented, thus, deleted and excluded in this Status. Six were not implemented; 30 were partially implemented; and two were revised and reformulated to be more specific, measurable and doable, as follows:

| **Observations and Recommendations** | **Action Taken/Comments** |
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| **CY 2018 AAR**   1. The net amount of Receivables and Other Current and Non-Current Assets accounts were overstated and the Allowance for Impairment Losses was understated by an aggregate amount of P130.495 million and P137.119 million as of December 31, 2018 and 2017, respectively, contrary to NTA's policy on the measurement and revaluation of Receivables. The reliability and recoverability of dormant asset accounts aggregating P381.425 million, representing 32.23 per cent of the total asset balance of P1.183 billion as at December 31, 2018 are uncertain due to: (a) undocumented balances carried over from seven defunct tobacco agencies in 1987; (b) outstanding receivables from farmers/ traders/cooperatives since 1996; (c) unrecovered investment in bonds with certification from the Securities and Exchange Commission (SEC) that the authority of the traders of the bonds were already revoked; and (d) receivables from officers and employees no longer in the service. Thus, the fair view of the presentation of the assets in the financial statements is adversely affected.     We reiterated and updated our previous years’ audit recommendations that Management require the:  a. Head/Branch Offices’ Accountants to recompute and adjust the Allowance for Impairment Losses to fairly present the Receivables and Other Assets accounts in the financial statements and to comply with the NTA policy on impairment losses;  b. Legal Officer to complete the documents of the Investment in Bonds amounting to P28.634 million including the efforts exerted to recover the proceeds of the bonds; and  c. Concerned Branch Managers to make representations with the Department of Environment and Natural Resources (DENR) for the possible transfer of the reforestation project sites to the local government units and its derecognition from the books of NTA; and  d. The responsible NTA officials to document all the efforts to collect and settle the dormant accounts to support the request for authority to write off the accounts to COA for those that are still not recovered after exhausting all possible remedies in accordance with COA Circular No. 2016-005. | Revised and reformulated in Part II – Observations and Recommendations No. 1 of this Report.  Partially Implemented.  Verification with the SEC showed that the authority of the two companies that traded the bonds have been revoked and their existence delisted. The Management informed that they will prepare a letter to the Land Bank of the Philippines to inquire on the possibility of recovering the investment.  Partially Implemented.  Up to this time, the Management is still exerting all efforts to secure authority from the DENR to cut the matured trees.  Partially Implemented.  The following Journal Entry Vouchers (JEVs) were drawn to take up the write-off of dormant receivables: JEV No. 2248383 dated November 30, 2017 amounting to P0.788 million and JEV No. 2276326 dated October 31, 2019 amounting to P380,224. The Management already posted their sixth attempt to reach out to delinquent borrowers with unsettled accounts totaling P184,373 on November 5, 2019. |
| 1. TheLand account balance of P101.315 million per accounting records differed by P155.516 million from the property records. The cost of the land derecognized from the books for the property sold was overstated by P1.129 million, thus, understating the Land account by the same amount. Moreover, there were deficiencies which affect the ownership of NTA over its properties, while the vacant NTA properties are not protected against encroachment of informal settlers. Thus, the existence and completeness of the Land account balance recognized in the financial statements as at December 31, 2018 cannot be ascertained.   We recommended that Management require the:   1. Inventory Committee to conduct physical inventory of all immovable properties recorded in the books of NTA including the properties located in CAR, Regions I and II that are included in their property listing and to check their existence and conditions, and prepare the Report on the Physical Count of PPE (RPCPPE); 2. Property and the Accounting Divisions to reconcile the RPCPPE with the accounting and property records to identify the missing and unrecorded properties in the books, as well as the NTA’s real properties in inventory listing that are inexistent and no longer in control of the NTA to be dropped from the property records, subject to the approval of the NTA Board of Directors (BOD) and the pertinent laws, rules and regulations; 3. The Accountants of NTA Head Office (HO) and branches to:   c.1 Check where the properties should be recorded, whether in the books of HO or in the branches, and together with the other reconciling items from the results of the reconciliation in letter b, make the necessary adjustments;  c.2 Effect the necessary adjustments on the recording of the sale of land in Paco, Manila and the installment payments received;   1. The Property Officer to facilitate the transfer and titling of the land where the NTA Pangasinan Branch is situated in the name of the Branch; 2. The Legal Officer to make representation before the court on all the cases where the ownership of NTA’s properties is being questioned; and 3. Responsible officials to settle the upfront payment of P10 million to Philippine Deposit Insurance Corporation (PDIC) to be able to distribute the lots in Golden Leaf Village, Montalban Rizal to the employees of NTA. | Partially Implemented.  Management issued Special Order No. 0535 dated July 3, 2019 on the creation of the NTA Asset Inventory Management (AIM) Committee. AIM Memorandum No. 3 was issued to the Chief Budget Officer to surrender and turn-over all original copies of land titles in the name of NTA to the Committee.  Partially Implemented.  The Accounting Division had established the variance of P211.070 million on the land. However, no adjustments had been effected as of year-end.  Not Implemented.  Partially Implemented  The unrecognized gain on sale on the sale of land in Paco Manila was adjusted under JEV No. 2276456 dated December 2019. However, said properties were not yet dropped in the property records.  Not Implemented.  Partially Implemented.  The Legal Officer has already made representation in court on the ownership of property, particularly the Las Piñas and Paco property.  Partially Implemented.  Management wrote PDIC in a letter dated March 27, 2019 relative to its request for renegotiation for possible condonation of penalties and reduction in interest rate. |
| 1. The PPE account, excluding Land, with a carrying value of P376.603 million as at December 31, 2018 is not reliable due to: (a) discrepancy of P34.170 million between the accounting and property records of NTA–HO; (b) recognition and depreciation of PPE that are not in accordance with paragraphs 14, 19 and 71 of Philippine Public Sector Accounting Standards (PPSAS) 17; and (c) inclusion of properties sold thru public auction and semi-expendable items in the PPE account of NTA Isabela Branch. In addition, deficiencies in the conduct of physical count of PPE cast doubt on the existence and completeness of assets in the RPCPPE.   We recommended that Management require:   1. The Accounting and Property divisions to reconcile the accounting and property records after physical inventory taking and effect the necessary adjustments in the books and/or property records where appropriate, if any, to come up with correct balances of the PPE accounts; 2. The Accounting Division to comply with the provisions of the PPSAS as to the recognition and depreciation of assets to correct any misstatements; 3. The Inventory Committee to: 4. Renew the Property Acknowledgement Receipts (PARs) every three years or every time there is a change in property accountability or custodianship; and 5. Submit the complete RPCPPE on time and use the prescribed form (Appendix 73) as required under Section 42 of Government Accounting Manual (GAM) for National Government Agencies (NGAs); and | Partially Implemented.  Reconciliation of records between Accounting and Property Divisions is on-going. There are NTA properties that are not titled and consequently, cannot be recorded in the books. Likewise, the Project Assistant IV was designated as in charge of land titling and property.  Partially Implemented.  The Accounting Division has already identified the assets to be corrected. However, no adjustments had been effected as of year-end.  Partially Implemented.  PARs have been issued in 2018, hence, the renewal will still be in 2021. However, during the inventory count conducted in February 2020, there were still PARs not renewed.  Partially Implemented.  Management will comply with the requirement in the next submission and will instruct the Supply Officer V to submit on time. However, the physical inventory taking for CY 2019 was conducted on February 11 to 19, 2020. |
| 1. The Accounts Receivable – Trade as at December 31, 2018 totaling P5.287 million were not confirmed by two customers while two customers with accounts receivable of P19.298 million did not reply to the confirmation and receivables from four customers in NTA – HO and NTA La Union Branch have abnormal/negative balances amounting to P63,825, thereby affecting the fair presentation of the account in the financial statements.   In view of the foregoing, we recommended that Management require the Accountant to conduct complete and thorough verification of the Accounts Receivable including those with abnormal balances, reconcile the balances of the P5.287 million with the customers’ records/books, and prepare the necessary adjustment to arrive at correct balances. | Partially Implemented.  The Accounting Division is currently reconciling the Accounts Receivable. |
| Irrigation Support Project for Small Tobacco Farmers (ISPSTFs)   1. Funds totaling P86.769 million transferred to 27 Local Government Units (LGUs) remained unliquidated despite the project completion due to the lack of monitoring by the Management of the completed projects in the Municipalities. Likewise, the unutilized funds totaling P398,352 were not returned to NTA by 16 LGUs, while a total of P13.937 million unreleased funds to LGUs remained under the custody of NTA and were not reverted back to the Bureau of the Treasury (BTr), contrary to Item 4.9 of COA Circular No. 94-013.   We recommended that Management:   1. Follow up the demand letters sent to concerned LGUs with unliquidated fund balances to submit the liquidation reports and those with unutilized funds to return the amounts to NTA in compliance with COA Circular No. 94-013; and 2. Revert back to BTr the unreleased funds to LGUs for completed irrigation projects and projects not implemented. | Partially Implemented.  The amount of P184,923 from six LGUs has been refunded to NTA per OR Nos. 137006, 122256 and 122257, 122146, and 122158 dated 3/15/2019, 6/11/2019, 3/29/2019 and 4/17/2019, respectively. Management shall resend collection letters to seven LGUs to collect the balance of P140,734.  Not Implemented.  The balance of unreleased funds to date is P69.195 million. There are still claims being processed by the in-house engineer. |
| Procurement of Infrastructures and Goods and Services   1. Out of the 23 procurement of infrastructures and goods and services in NTA HO from January 1 to December 31, 2018, 19 procurement contracts with a total contract cost of P148.566 million were not submitted to the Audit Team within the prescribed period for auditorial review and for technical evaluation by COA Technical Audit Specialist (TAS) as required under COA Circular No. 2009-001 and COA Memorandum No. 2005-027 dated February 12, 2009 and February 28, 2005, respectively.   We recommended that Management require the Bids and Awards Committee to submit the contracts and all supporting documents including the certified true copies of the eligibility documents to provide reasonable time to the Audit Team and the COA-TAS for the immediate conduct of the auditorial review and technical evaluation, respectively. | Partially Implemented.  The documents required have already been submitted, except for the four procurement of goods and services which has not been submitted as of audit date. |
| Integrated Farming and Other Income Generating Activities Project – Tobacco Contract Growing System (IFOIGAP – TCGS)   1. The fertilizers and pesticides procured based on the Farm Plan and Budget (FPB) by the NTA HO for delivery to the NTA Branches and distribution to farmer-beneficiaries in the form of loans under IFOIGAP – TCGS exceeded the actual requirements of the farmer-beneficiaries, resulting in undistributed and expired fertilizers and pesticides amounting to P1.052 million and P2.375 million in NTA La Union and Pangasinan Branches, respectively, as at December 31, 2018. In addition, loans released for the production and facility assistance to tobacco farmers were not properly documented and lacked the necessary supporting documents contrary to the Implementing Guidelines on IFOIGAP – TCGS. Thus, the qualifications of farmers and the regularity of the payments made could not be established.   We recommended that Management:   1. Require the NTA Branch Offices (BOs) to:    1. Carefully evaluate the requirements of farmers for farm inputs and make sure that only reasonable quantity of needed items will be procured or, at least, limit the excessive inventory; and    2. Consider the cropping season and the evaluated requirements in making reasonable projections and estimates of farm inputs needed in preparation of FPB which will be the basis for the procurement of farm inputs to be distributed to the farmers; 2. Ensure that all Disbursement Vouchers for the granting of loans to farmers are supported with the required documents as specified in the implementing guidelines of the IFOIGAP – TCGS to support the eligibility of the Farmer-Cooperators (FCs) to the program and substantiate the regularity of the payments. | Partially Implemented.  The Farm Technology and Services Department (FTSD) has already considered the inventory on hand of the branches and these were deducted from the volume to be purchased.  Partially Implemented.  The BOs were required to submit their inventory on hand and were instructed to deduct the balance from the submitted quantity to be purchased.  Partially Implemented.  The BOs were instructed to complete the documentation before the release of funds to the farmers. |
| Disaster Risk Reduction and Management (DRRM) Program   1. Only P198,000 or 4.95 per cent of the P4.000 million approved NTA Risk Management Fund was released as calamity assistance to 99 beneficiaries or 1.33 per cent of 7,450 tobacco farmers whose flue-curing barns and air-curing sheds were damaged by Typhoon Ompong in September 2018 in CAR, Regions I and II. The delay and very low percentage of the releases of assistance were due to: (a) non-submission of the required supporting documents by the availees; (b) difficulty in processing of the reports due to errors in information and data of the registered tobacco farmers; and (c) some farmers cannot be identified since the submitted documents were unnamed and contained only pictures of the damaged curing barns.   We recommended that Management:   1. Require the Tobacco Production and Regulation Officer (TPRO) to assist the farmers in preparing the necessary documents to facilitate the evaluation of their qualification for the release and maximum utilization of calamity assistance fund; and 2. Fast track the processing of the claims and set specific timelines in releasing the calamity assistance to the affected tobacco farmers for them to recover immediately. | Partially Implemented.  The TPROs prepare the necessary documents. The fund transfers to branches were delayed because the HO Accounting Division waited for the submission of the complete documents prior to fund transfer.  Partially Implemented.  The BOs have been instructed accordingly. What delayed the release of fund transfers were the requirements of Certification from the Provincial Disaster Risk Reduction Management Council (PDRRMC) and Barangay Captains. |
| 1. The audit disallowances and charges totaling P26.963 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 (RRSA).   We recommended that the responsible NTA officials exhaust all possible remedies to settle both the dormant and current audit disallowances of P37.919 million in compliance with the provisions of COA Circular No. 2009-006. | Partially Implemented.  The Accounting Division has continuously collected disallowance of employees upon retirement which are deducted from their respective terminal leave pay. |
| **CY 2017 AAR** |  |
| 1. The existence and completeness of the Property, Plant and Equipment (PPE) account with total cost of P702.433 million as at December 31, 2017 could not be ascertained due to: (a) incomplete physical inventory of immovable assets in NTA–HO totaling P120.819 million; (b) discrepancies of P170.458 million between accounting records of P165.331 million and property records of P335.789 million in NTA–HO and Isabela Branch; (c) non-provision of allowance for impairment loss on the idle property in NTA Cagayan Branch which is not in accordance with PPSAS 21; and (d) other deficiencies which affect the ownership of NTA over its properties.   We recommended and Management agreed to:   1. Require the Inventory Committee to complete the conduct of physical inventory of immovable assets in NTA-HO books including the properties located in CAR, Regions I and II to check their existence and conditions and, to prepare the RPCPPE for reconciliation with the accounting and property records and to identify the missing and unrecorded properties in the books; 2. Exhaust all remedies for the recovery of parcels of land in Isabela subject of Emancipation Patents in favor of Department of Agrarian Reform (DAR) beneficiaries and, follow up reply of DAR on letter-complaint filed by the NTA for the consequent cancellation of the emancipation patents (EPs); 3. Require the person responsible in the HO to provide NTA Batac Branch copy of the Deed of Donation of the two buildings donated to Isabela State University in order for the Branch Accountant to drop these properties from the books; 4. Exhaust all possible means to facilitate the preparation of documentary requirements to secure the Transfer Certificate of Titles of all parcels of land acquired, as evidence of ownership of NTA over these properties | Partially Implemented.  Management issued Special Order No. 0535 dated July 3, 2019 on the creation of the NTA Asset Inventory Management (AIM) Committee. AIM Memorandum No. 3 was issued to the Chief Budget Officer to surrender and turn over all original copies of the land titles in the name of NTA.  Partially Implemented.  Management has written to DAR in 2017 and twice in 2018 but no reply as of the moment.  Partially Implemented.  Board Resolution No. 871-2018 dated July 12, 2018 approved the condemnation of the NTA (PTRTC) building at the Isabela State University. Management shall draw a Deed of Donation to support the JEV to drop it from the books.  Partially Implemented.  The Accounting and Property Divisions are reconciling their records. There are NTA properties that are not titled and consequently cannot be recorded in the books. The Project Assistant IV is in charge of land titling and property. |
| *RENEWABLE FUELWOOD ENERGY FARM PROJECT AND RESTORATION OF ECOLOGICAL INTEGRITY – KAHUYANG PANGKABUHAYAN AT PANGKALIKASAN (RFEFPREI-KPP)*   1. The Farmer-Cooperators (FCs) under the Kahuyang Pangkabuhayan at Pangkalikasan (KPP) component of the RFEFPREI were not able to harvest fuelwood in 2017 due to: (a) some planted trees did not survive natural calamities in 2015 and 2016; (b) some trees were not ready for harvest since the desirable size for fuelwood was not attained; and (c) full grown trees were not cut due to the regulations of the DENR and LGUs; thus, resulting in low collection of production assistance granted to the FCs in 2013 and non-attainment of the specific objectives of the project which were to supply and augment the energy-fuelwood requirement of the flue-curing Virginia tobacco leaf and promote the creation and development of livelihood enterprises for the tobacco growing communities. Moreover, in view of the inability of NTA to fully attain the objectives of the KPP, the project might not be able to contribute to the achievement of the Sustainable Development Goals (SDGs) of No Poverty (Goal 1) and Life on Land (Goal 15) related to the project’s objectives.   We recommended that Management:   1. Coordinate with the DENR and LGUs for the harmonization of their policies and regulations that have impact on harvesting and marketing of fuelwood aspect of the project, in order for the FCs to proceed in harvesting and to cash-in their fuelwood produce so that they will be able to settle their loan obligations to NTA; and 2. See to it that careful planning is undertaken in the conceptualization of projects to be implemented to ensure attainment of the desired objectives and at the same time to contribute in the achievement of the SDG. | Partially Implemented.  Negotiations with the DENR is still on-going.  Partially Implemented.  Due to the problems encountered by the KPP Project, the Board has decided to suspend the said project to constitute proper planning to avoid future problems. |
| *TOBACCO DUST PRODUCTION AGRIBUSINESS PROJECT (TDPAP)*   1. The 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 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.   We reiterated our recommendations that Management:   1. Develop alternative business option 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 plant so as not to waste government funds and property; and 2. Study prudently the status and possible utilization of the Employees’ Quarter of TDPAP and develop an alternative use for it so that economic value will be derived. Moreover, assess the benefits that can be derived therefrom over the cost to prevent further wastage of funds.   *AGRIPINOY TOBACCO FARMERS’ PROCESSING PLANT AND TRADING CENTER AND FEED MILLING COMPLEX (NTA AgriPinoy)*   1. AgriPinoy Milling Complex worth P83.075 million was not utilized for its intended purpose resulting in wastage of government funds.   We recommended that Management:   1. Conduct machine testing to reassess the performance of machineries and equipment; and 2. Engage the services of a licensed appraiser to determine the current value of the machineries and equipment and be able to assess possible impairment loss. | Partially Implemented.  Management has been instructed by the Secretary of Agriculture to convert it into a warehouse for rice. The Management has yet to draw a plan.  Partially Implemented.  Per confirmation with the Project Manager, the employees’ quarter is being used as stockroom of things and inventories that are already obsolete since it can no longer be used as quarters.    Not Implemented.  Not Implemented. |
| **CY 2016 AAR**   1. The low collection efficiency of only P124.032 million or 35.71 per cent out of the estimated collectibles of P347.305 million in CY 2016 on loans receivable were attributed to financial, technical and other problems of the tobacco farmers, which include, among others: a) proceeds from tobacco sales were not enough to cover amortization or used for other priorities of loan borrowers; b) over exposure of borrowers to various loan programs; and c) damaged crop or poor harvest of tobacco farmers; thus, depriving NTA of the much needed funds in the pursuit of its mandate.   We reiterated our previous year’s recommendations that Management:   1. Limit to viable and sustainable projects those loans to be extended to farmers to ensure collection, consider granting of loans only to those tobacco-farmers in good credit standing, and deduct from the proceeds of a new loan the previous loan balances of farmer-availees to prevent accumulation of arrearages; and 2. File collection suits, if warranted. | Revised and reformulated in Part II – Observations and Recommendations No. 3 of this Report.  Deduction of the loan balance from the proceeds of a new loan is not feasible because the loan proceeds amount is the exact amount needed by a farmer for the tobacco farming season. Also, the loans granted to farmers were in accordance to the needs of tobacco farmers. Unfortunately, some farmers do not pay due to unforeseen circumstances like typhoons and the provision by LGUs to farmers’ free farm machineries and equipment and production inputs.  Not Implemented. |
| **CY 2015 AAR**   1. The proposal for dacion en pago of NTA to the Philippine Deposit Insurance Corporation (PDIC) for the disposable portions of its properties in Rodriguez, Rizal as full equivalent/settlement of its principal loan, interest and penalty charges from the Philippine National Bank (PNB) that were dacioned/transferred by the latter to PDIC in CY 2002 remained unsettled; thus, original loan, interest and penalty of P78.729 million have substantially increased to P282.998 million as at December 31, 2015 due to accumulation of interest and penalty charges of P67.674 million and P136.595 million, respectively. These penalties and charges were not recorded in the books thereby understating the expense and liability accounts by P204.269 million and overstating the retained earnings by the same amount.   We recommended that Management make a representation with PDIC for the speedy approval of their proposal for dacion en pago to prevent further accumulation of interest and penalty charges. | Partially Implemented.  The amount of P5 million has already been included in the COB for CY 2018, however, due to the pandemic Management put on hold the payment to support tobacco farmers in terms of production assistance. Management had a meeting with PDIC officials of the Loans Management Department on October 11, 2019. PDIC will update the survey which was conducted in 2011 and present to the Board the request of NTA dated March 27, 2019, of condonation of penalty and lowering of interest on the loan. Management is still awaiting for the PDIC approval. |