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

**AUDIT RECOMMENDATIONS**

Of the 57 audit recommendations embodied in the Annual Audit Reports (AARs) for Calendar Years (CYs) 2019 and prior years, nine were fully implemented and one was revised and reformulated in CY 2019 AAR, thus, deleted and excluded in this Status. Nine were not implemented; 31 were partially implemented; five were reiterated 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 2019 AAR**   1. The provision for impairment losses was inadequate, contrary to Paragraphs 67 and 68 of Philippine Public Sector Accounting Standard (PPSAS) 29 and NTA’s policy on the measurement and revaluation of Receivables, as such, Allowance for Impairment Losses was understated by P99.662 million while Accumulated Surplus was overstated for the same amount as at December 31, 2019.   We recommended that the Management instruct the Central Office (CO) and Branch Offices (BOs’) Accountants to recalculate and adjust the Allowance for Impairment Losses to fairly present the Receivables, Other Current and Non-Current Assets accounts in the financial statements, in compliance with the pertinent provisions of PPSAS 29 and NTA’s policy on impairment losses.   1. The collections from Supervision and Regulation Enforcement (S&RE) fees for CY 2019 amounting to P79.109 million, fell short by P93.537 million or 54.18 per cent as compared to the projected collection of P172.646 million due to strict regulation on anti-smoking and increase in tobacco excise tax, which resulted in decrease in revenue from collections of S&RE fees by P36.152 million or 31.37 per cent from CY 2018 to CY 2019.     We recommended that Management:   1. Require the Accounting Division and Regulation Department to reconcile the variance of P31.562 million on actual collections (P79.109 million less P110.671 million) and make appropriate adjusting entries, if warranted; and 2. Moving forward, consider revising the projected revenue, if during the year, there are factors or conditions beyond their control that will significantly affect the attainment of its target. 3. Only P112.788 million or 34 per cent were collected during the year, out of the P331.770 million due for collections in CY 2019 representing loans granted to farmer-beneficiaries in NTA Pangasinan, Abra, Vigan and La Union BOs, showing low collection efficiency. Thus, NTA was deprived of additional funds for its operations for the attainment of its mandate. Moreover, in Cagayan BO, the significant decline in collection efficiency by 39.39 per cent, specifically on the Rice Production Project (RPP) under the Integrated Farming and Other Income Generating Project (IFOIGAP), was due to the change of type of loan from cash to fertilizer distribution.   We recommended that Management:   1. Limit the loans to be extended to viable projects; 2. Deduct from the proceeds of new loans the unpaid balances to prevent accumulation of arrearages; 3. Intensify collection efforts by sending regular Statement of Accounts, then demand letters, either personally or through registered mail with return card; 4. Initiate legal action against defaulting farmer-beneficiaries with long overdue accounts, if no settlement made despite demand letters sent; and 5. Monitor and evaluate the financial activities of BOs and ensure that accounting procedures and control measures are in place to attain a higher collection efficiency rate of loans receivable.   We further recommend that the Management:   1. Require the BOs to communicate in writing with the Philippine Statistics Authority and/or Commission on Elections to request for the residential address of those farmers’ with returned demand letters, to facilitate collection of accounts; and 2. Come up with strategies on how to improve collection efficiency even in times of disasters/calamities, by considering the possibility of reducing the interest rate on loans and offering rebates or discount to farmer’s who will be able to settle their monthly amortization or accounts on or before the deadline. 3. Out of the P61.750 million GAD Plan and Budget (GPB) for 2019, which was adjusted and duly endorsed by the Philippine Commission on Women (PCW) in compliance with PCW-National Economic Development Authority (NEDA)-Department of Budget and Management (DBM) Joint Circular No. 2012-01 dated August 22, 2012, only P51.671 million, or 83.68 per cent, was spent for Gender and Development (GAD) activities in CY 2019, leaving P10.079 million or 16.32 per cent which was not attributed to GAD-related activities and gender-responsive programs, hence, deprived the intended recipients of its benefits.   We recommended that Management direct the Chairperson of the GAD Focal Point System to ensure that the adjusted and endorsed GPB for GAD programs, activities or projects (PAPs) are maximized and targeted activities are accomplished as planned, with due consideration to economy, efficiency and effectiveness in the implementation thereof, so as to deliver to the intended recipients the benefits.  We further recommend that moving forward, the Management inform in writing the PCW of any changes to be made in the implementation of the GAD PAPs.   1. The BOD of NTA did not declare dividend for Dividend Year (DY) 2019 and no remittance to the National Government (NG), contrary to Section 5.a.i. of the revised Implementing Rules and Regulations (IRR) dated January 26, 2016 of Republic Act (RA) No. 7656, thus, deprived the NG of raising additional revenues that could have been utilized for other government programs/projects that will benefit the public in general.   We recommended that Management:   1. Ensure that dividends equivalent to at least 50 per cent of NTA’s annual net earnings are declared by the Board of Directors (BOD) and remitted to the NG through the Bureau of the Treasury (BTr), in compliance with Section 5.a.i. of the 2016 revised IRR of RA No. 7656; and 2. Instruct the Finance Department that in computing the dividends due to the NG, the items for adjustment be taken into consideration, as enumerated under Annex C of the 1998 revised IRR of RA No. 7656. 3. The audit disallowances and charges totalling 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:   1. 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 2. Comply with COA Resolution No. 2015-031 on the settlement of audit disallowances. | Reiterated in Part II – Observations and Recommendations No. 1 of this Report.  Adjustments were made amounting to P72.643 million under JEV No. 2276728 dated November 2020.  Not Implemented.  No adjustments had been recorded as of year-end.  Not Implemented.  Partially Implemented.  Partially Implemented.  The BOs deduct the balance of the outstanding loans from the proceeds of new loans, provided the farmers have attained 85 per cent repayment of their previous loans.  Reiterated in Part II – Observations and Recommendations No. 4 of this Report.  Reiterated in Part II – Observations and Recommendations No. 4 of this Report.  Reiterated in Part II – Observations and Recommendations No. 4 of this Report.  Not Implemented.  Revised and reformulated in Part II – Observations and Recommendations No. 4 of this Report.  Partially Implemented.  The GPB for 2020 was reviewed by the PCW and submitted to the Audit Team. However, the Management did not prepare the GAD Accomplishment Report (AR) for CY 2020 as basis in evaluating whether the GAD projects or activities undertaken were responsive to the gender sensitivity issues.  Not Implemented.  No GAD AR for CY 2020 was prepared by the Management.  Partially Implemented.  Management did not declare and remit dividends since a deficit after tax of P396.066 million was incurred in CY 2020.  Partially Implemented.  Partially Implemented.  The Accounting Division continuously collect from the disallowances of employees through payroll deduction of current personnel and deduction from terminal leave pay of retiring employees.  Partially Implemented. |
| **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/BO’ 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. | Reiterated in Part II – Observations and Recommendations No. 1 of this Report.  Partially Implemented.  The authority of the two companies that traded the bonds have been revoked and their existence have been delisted with the SEC.  Partially Implemented.  Management is still securing authority from the DENR to cut the matured trees.  Partially Implemented. |
| 1. The Land 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 CO and branches to:   c.1 Check where the properties should be recorded, whether in the books of CO 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.  The NTA Asset and Inventory Committee was created under Special Order (SO) No. 0535 dated July 3, 2019 and reconstituted under SO No. 0555 dated December 29, 2020 due to the retirement from government service of several members. However, no physical inventory of real properties was conducted in CY 2020.  Partially Implemented.  The Property and Accounting Divisions are currently in the process of reconciling their records with the RPCPPE.  Not Implemented.  Physical inventory of immovable assets was not conducted in CY 2020.  Partially Implemented.  The unrecognized gain on sale of the property was recorded under JEV No. 2276456 dated December 2019 but the property is not yet derecognized in the Accounting and Property records.  Partially Implemented.  Management coordinated to the owner for the possible transfer of the property to the NTA.  Partially Implemented.  The Legal Officer has already made representation in court on the ownership of NTA properties specifically the properties located in Las Piñas and Paco.  Partially Implemented.  Management initiated the request for renegotiation for possible condonation of penalties and reduction in interest rate. |
| 1. The Property, Plant and Equipment (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–CO; (b) recognition and depreciation of PPE that are not in accordance with paragraphs 14, 19 and 71 of 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; | Partially Implemented.  The Property and Accounting Divisions are currently in the process of reconciling their records with the RPCPPE.  Partially Implemented.  Depreciation of assets for CY 2020 were recorded according to PPSAS. |
| 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 – CO 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.   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 negative balance of P23,037 for NTA CO was adjusted per JEV No. 2276102 dated February 2019. |
| *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 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.  No collections were made in 2020. However, the personnel in-charge made follow-up on collections from the various agencies.  Not Implemented.  LGUs are still implementing the project. The balance of unreleased funds as of December 31, 2020 amounted to P52.752 million. |
| *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 Product 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 calamity assistance of P198,000 and P3.354 million was transferred to the BOs in 2018 and 2019, respectively.  Partially Implemented.  The processing of claims depends on the timely submission of complete documents by the BOs to the CO. |
| **CY 2017 AAR** |  |
| 1. The existence and completeness of the 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–CO 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–CO 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-CO 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 CO 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; and 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.  The physical inventory of immovable properties was not conducted due to travel restrictions caused by the pandemic.  Partially Implemented.  Partially Implemented.  Board Resolution No. 871-2018 dated July 12, 2018 approved the condemnation of the NTA Building at the Isabela State University but no Deed of Donation was executed to support dropping of the property from the books.  Partially Implemented. |
| *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.  The permit to cut of 52 clusters in five BOs have been approved by the DENR. No status report has been submitted by the BOs but the issue will be tackled during the next Operations Department meeting.  Partially Implemented.  The NTA BOD decided to suspend the implementation of the project to develop planning strategies 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. | Not Implemented.  Management has no definite plan laid out as of audit date.  The TDPAP incurred net loss of P3.270 million in 2020 despite the discontinuance of its operations in CY 2019.  Not Implemented.  Per confirmation with the Project Manager, the Management has not commented on its plans on the employees’ quarters. However, it is being used as stockroom of obsolete inventories since it can no longer be used as quarters.    Partially Implemented.  Management hired a Mechanical Foreman on November 3, 2020 to conduct the machine testing. However, no status report was submitted on the result of assessment made.  Not Implemented.  The milling complex is currently being leased by the Abra Diocesan Teachers and Employees Multi-purpose Cooperative (ADTEMPCO). |
| **CY 2016 AAR**   1. The low collection efficiency of only P124.032 million or 35.71 percent 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. 4 of this Report.  Partially Implemented.  Management is exerting other means to collect from defaulting farmer-beneficiaries with long overdue accounts. |
| **CY 2015 AAR**   1. The proposal for dacion en pago of NTA to the 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 Accumulated Surplus/(Deficit) 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.  In a letter dated February 3, 2021, the PDIC informed Management that they are currently evaluating the proposal of loan restructuring and they will be notified on the result of the counter proposal once the final terms are approved by the appropriate approving authority. |