



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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

June 23, 2022

Mr. ROBERT VICTOR G. SEARES, JR.
Administrator
National Tobacco Administration
3rd Floor Ben-Lor Building
Quezon Avenue, Quezon City

OFFICE OF THE ADMINISTRATOR
NTA RECEIVED
NAME: 12 3 JUN 2022
DATE:
ARMAN L. ANGLANGAN
PRIVATE SECRETARY

Dear Administrator SEARES:

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, 2021 and 2020.

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 (FSs) in view of the following:

1. The non-recognition of interest on the long-term Financial Liabilities - Notes Payable to the Philippine National Bank (PNB) through the Omnibus Credit Line (OCL), which was transferred by the PNB to the Philippine Deposit Insurance Corporation (PDIC) by way of *dacion en pago* Agreement on July 30, 2002, understated the Interest Payable and Interest Expense accounts by P87.615 million and P5.994 million, respectively, and overstated the Accumulated Surplus/(Deficit) account by P81.621 million as at December 31, 2021, considering that the request of NTA for renegotiation on lowering the interest rate and condonation of penalties has not been approved yet by the PDIC, which is not in accord with Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1 and Paragraph 16 of IPSAS 3.
2. 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-Central Office (CO) amounting to P42.922 million which are 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.

3. In NTA Ilocos Norte Provincial Branch Office (PBO), the unreleased checks as of December 31, 2021 for approved loans and assistance to farmers/beneficiaries and payments to creditors totaling P12.639 million were not reverted back to the Cash in Bank account, thereby understating the said account by the same amount and the Financial Liabilities-Accounts Payable (A/P) account by P0.695 million, while overstating the Receivables - Loans Receivable, Service Income - Other Service Income, and Maintenance and Other Operating Expenses (MOOE) - Financial Subsidy accounts in the amounts of P7.239 million, P120,650 and P4.826 million, respectively, contrary to Paragraph 27 of IPSAS 1 and Section 56, Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.
4. The Allowance for Impairment Losses on Receivables, Investments and Other Non-Current Assets accounts as at December 31, 2021 was net overstated by P9.791 million, while the Accumulated Surplus/(Deficit) account was net understated by the same amount, due to: (a) inconsistent/incorrect rates used in the computation of Allowance for Impairment on Loans Receivable of NTA Isabela PBO and Kadiwa ni Ani at Kita; and (b) different period observed by the PBOs in aging Loans Receivable subject to impairment loss; thus, resulted in over provision of Allowance for Impairment on Loans Receivable, and Other Non-Current Assets accounts totaling P25.293 million; under provision of Allowance for Impairment on Trade Receivables, Due from Officers and Employees, and Other Receivables accounts totaling P1.808 million; and non-provision of Allowance for Impairment on Due from NGAs/Government Owned and Controlled Corporations (GOCCs) and Investments accounts totaling P13.694 million, contrary to Paragraphs 67 and 68 of IPSAS 29, Paragraph 16 of IPSAS 3, and NTA's policy on the measurement and revaluation of Receivables.

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

- 1.1. Require the Accounting Division to recognize the interest on NTA's Notes Payable to the PDIC amounting to P87.615 million as of December 31, 2021, pending approval of its request for the restructuring of loan and lowering of interest and condonation of penalty charges, in compliance with Paragraph 7 of IPSAS 1 and Paragraph 16 of IPSAS 3; and
- 1.2. Constantly follow up with the PDIC the result/approval of NTA's request on the proposed restructuring of the loan principal, lowering of interest and condonation of penalties.

2.1. Require the:

- a. Accounting Division to reclassify the real properties amounting to P42.992 million from PPE-Land account to IP-Land account, and provide adequate disclosures in the Notes to FSs regarding these properties; and
 - b. Accounting Division and General Services Procurement Division (GSPD) to derecognize from the accounting records of NTA-CO and exclude from the property records the commercial lot located in Payocpoc Norte Este, Bauang, La Union costing P153,430 as the property is already recorded in the books of NTA-La Union PBO.
- 3.1. Instruct the Branch Manager of Ilocos Norte PBO to direct the Accountant of the Branch to: (i) prepare appropriate accounting entry to revert back the unreleased checks as of December 31, 2021 to the Cash in Bank account to faithfully present the affected accounts in the FSs at year-end; and (ii) henceforth, ensure that unreleased checks at year-end be reverted back to the cash account(s) pursuant to Section 56, Chapter 19 of the GAM for NGAs, Volume I.
- 3.2. Direct the Ilocos Norte PBO Management to instruct the Cashier of the Branch to submit to the Accountant the list of unreleased checks at the end of the year, as basis of the latter in preparing a Journal Entry Voucher (JEV) to revert back the same to the Cash in Bank account.
- 4.1. Instruct the Accountants of NTA-CO and PBOs to:
- a. Recalculate and adjust the Allowance for Impairment Losses to fairly present the balances of the Receivables, Investments, and Non-Current Assets accounts in the FSs, in compliance with the pertinent provisions of IPSASs 3 and 29 as well as NTA's policy on Allowance for Impairment Losses; and
 - b. Monitor regularly evidence of impairment of the Agency's assets to ensure adequate provision for Allowance for Impairment Losses, once the conditions or observable data mentioned in Paragraph 68 of IPSAS 29 are present.
- 4.2. Consider amending the NTA's policies and guidelines relative to Allowance for Impairment, to include, among others, (i) rates used in the computation of Allowance for Impairment; and (ii) reckoning date to be used in determining the age of an account for uniformity and consistency of application by the CO and PBOs.

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

5. NTA Abra, Candon and Vigan PBOs granted new loans totaling P9.691 million to farmer-borrowers despite the latter still have existing past due loan balances from other projects aggregating P9.585 million, in view of the following lapses in granting and recording of loans, among others: (a) non-enforcement of

blacklisting of farmer-borrowers who are delinquent or with past due loan balances; (b) inadequate monitoring of the loan accounts of the farmer-borrowers due to absence of master list showing their outstanding loan balances on all projects, thus delinquent borrowers could not be easily identified; (c) lack of coordination between Operations and Accounting Divisions of the PBOs, resulting in the granting of loans to ineligible farmer-borrowers; and (d) lack of updated loan records and Subsidiary Ledgers (SLs) due to voluminous workload of the PBO Accountant, hence, the latter could not readily verify if the farmer-borrower/s still have existing unpaid loans. Consequently, other qualified farmer-borrowers were deprived of the opportunity to avail of the loan program and resulted in the accumulation of unpaid accounts.

5.1. We recommended that top Management:

- a. Direct the PBO Managers of NTA Abra, Candon and Vigan 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 Implementing Guidelines of the Programs, Activities and Projects (PAPs) is 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;
 - a.2. Direct 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 farmer-borrowers;
 - a.3. Augment the personnel assigned at the Accounting Division who will be tasked to assist the Accountant in updating of loan records and SLs of the farmer-borrowers, and sending of Statement of Accounts (SOAs) and demand letters regularly; and
 - a.4. Stop granting new loans to farmer-borrowers with unpaid past due accounts to avoid accumulation of dormant receivables;
- 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
- 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.

- 5.2. We further recommended that Management direct the PBOs concerned to strictly adhere with the Implementing Guidelines of the various NTA PAPs to avoid granting new loans to farmer-borrowers with existing past due balances from other loan programs; otherwise, hold responsible the officers and employees concerned who do not comply with NTA's policies and guidelines.
6. The regularity of the assistance and loans granted to tobacco farmer-cooperators by NTA Pangasinan, Isabela and Candon PBOs under four PAPs, namely, Curing Barn Assistance Program (CBAP), Integrated Farming and Other Income Generating Activities Project-Tobacco Contract Growing System (IFOIGAP-TCGS), Gulayan at Manukan sa Barangay II (GMB II), and Vegetable Seed Distribution II (VSD II), could not be ascertained due to the following deficiencies noted in the implementation of these PAPs:
 - a. The documentary requirements to support the grant of assistance and loans totaling P36.437 million to farmer-cooperators under CBAP and IFOIGAP-TCGS in NTA Pangasinan and Isabela PBOs were not submitted, contrary to Section 4(6) of PD No. 1445 and Section A-1 of the Implementing Guidelines of the CBAP; thus, propriety of the disbursements cannot be established;
 - b. Loans granted twice to 58 tobacco farmer-cooperators by the NTA Pangasinan PBO, the first release (January and February releases CY 2020-2021 CBAP) amounting to P1.144 million, while the second release (December release CY 2021-2022 CBAP) amounting to P1.160 million, were not supported with certifications or documents to prove that previous loans have been fully paid and/or that the recipients were affected by natural calamities, contrary to Item 1.c of the Implementing Guidelines of CBAP; and
 - c. Fifty farmer-beneficiaries, five from NTA Candon PBO and 45 from NTA Pangasinan PBO, who were granted materials and inputs under the GMB II were also recipients of materials and inputs under the VSD II in CY 2021, contrary to Section III-B of the Implementing Guidelines of the GMB II and VSD II.
- 6.1. We recommended that top Management direct the PBO Managers concerned to:
 - a. Require the Extension Workers of NTA Pangasinan and Isabela PBOs to submit the following documents, to avoid suspension of the subject transactions in audit:
 - a.1. Set 1 documents under CBAP Implementing Guidelines for curing barn assistance granted to farmer-cooperators by the NTA Pangasinan PBO, consisting of indorsement from the concerned Branch Manager, consolidated Farm Plan and Budget, Cluster Memorandum of Agreement (MOA) with list of avalees, and Guaranty Letter of contracted buyer firm;

- a.2. Approved master list/s of qualified recipients for curing barn assistance granted to farmer-cooperators by the Isabela PBO;
- a.3. Duly certified photocopies of valid Identification Cards (IDs) of the farmer-beneficiaries with signature affixed therein to support the loans granted to farmer-cooperators by the NTA Isabela PBO under the IFOIGAP – TCGS; and
- a.4. Sales Invoices/Official Receipts issued by the participating tobacco buyer firm to support the payment of seedlings costing P3.332 million for the implementation of IFOIGAP – TCGS by the NTA Isabela PBO;
- b. Instruct the PBO Accountants to ensure that all Disbursement Vouchers (DVs) are duly supported with complete and proper documentation before processing of payment, using the Implementing Guidelines of the NTA PAPs and COA Circular No. 2012-001 dated June 14, 2012, as reference; and
- c. Moving forward, ensure that:
 - c.1. Loan assistance under CBAP is granted to tobacco farmer-cooperators who have not availed of similar assistance in the past including Multi-Purpose Curing Barn (MPCB), unless they are affected by natural calamities and have no outstanding loan balance from their previous availment; and
 - c.2. Farmer-beneficiaries of the GMB II are not given materials and inputs under the VSD II, in compliance with Section III-A of the Implementing Guidelines of both projects.

The observations together with the recommended courses of action which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on May 31, 2022 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' partially and unimplemented audit recommendations embodied in Part III of the Report.

We respectfully request that the recommendations contained in Part II and Part III of the Report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

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 III
OIC-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, Philippines

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

June 23, 2022

THE BOARD OF DIRECTORS
National Tobacco Administration
3rd Floor Ben-Lor Building
Quezon Avenue, Quezon City

NIA GOVERNING BOARD
RECEIVED
B. MARICA ALVAREZ
Date: 23 JUN 2022

GENTLEMEN:

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, 2021 and 2020.

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 (FSs) in view of the following:

1. The non-recognition of interest on the long-term Financial Liabilities - Notes Payable to the Philippine National Bank (PNB) through the Omnibus Credit Line (OCL), which was transferred by the PNB to the Philippine Deposit Insurance Corporation (PDIC) by way of *dacion en pago* Agreement on July 30, 2002, understated the Interest Payable and Interest Expense accounts by P87.615 million and P5.994 million, respectively, and overstated the Accumulated Surplus/(Deficit) account by P81.621 million as at December 31, 2021, considering that the request of NTA for renegotiation on lowering the interest rate and condonation of penalties has not been approved yet by the PDIC, which is not in accord with Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1 and Paragraph 16 of IPSAS 3.
2. 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-Central Office (CO) amounting to P42.922 million which are 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.

3. In NTA Ilocos Norte Provincial Branch Office (PBO), the unreleased checks as of December 31, 2021 for approved loans and assistance to farmers/beneficiaries and payments to creditors totaling P12.639 million were not reverted back to the Cash in Bank account, thereby understating the said account by the same amount and the Financial Liabilities-Accounts Payable (A/P) account by P0.695 million, while overstating the Receivables - Loans Receivable, Service Income - Other Service Income, and Maintenance and Other Operating Expenses (MOOE) - Financial Subsidy accounts in the amounts of P7.239 million, P120,650 and P4.826 million, respectively, contrary to Paragraph 27 of IPSAS 1 and Section 56, Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.
4. The Allowance for Impairment Losses on Receivables, Investments and Other Non-Current Assets accounts as at December 31, 2021 was net overstated by P9.791 million, while the Accumulated Surplus/(Deficit) account was net understated by the same amount, due to: (a) inconsistent/ incorrect rates used in the computation of Allowance for Impairment on Loans Receivable of NTA Isabela PBO and Kadiwa ni Ani at Kita; and (b) different period observed by the PBOs in aging Loans Receivable subject to impairment loss; thus, resulted in over provision of Allowance for Impairment on Loans Receivable, and Other Non-Current Assets accounts totaling P25.293 million; under provision of Allowance for Impairment on Trade Receivables, Due from Officers and Employees, and Other Receivables accounts totaling P1.808 million; and non-provision of Allowance for Impairment on Due from NGAs/Government Owned and Controlled Corporations (GOCCs) and Investments accounts totaling P13.694 million, contrary to Paragraphs 67 and 68 of IPSAS 29, Paragraph 16 of IPSAS 3, and NTA's policy on the measurement and revaluation of Receivables.

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

- 1.1. Require the Accounting Division to recognize the interest on NTA's Notes Payable to the PDIC amounting to P87.615 million as of December 31, 2021, pending approval of its request for the restructuring of loan and lowering of interest and condonation of penalty charges, in compliance with Paragraph 7 of IPSAS 1 and Paragraph 16 of IPSAS 3; and
- 1.2. Constantly follow up with the PDIC the result/approval of NTA's request on the proposed restructuring of the loan principal, lowering of interest and condonation of penalties.

2.1. Require the:

- a. Accounting Division to reclassify the real properties amounting to P42.992 million from PPE-Land account to IP-Land account, and provide adequate disclosures in the Notes to FSs regarding these properties; and
 - b. Accounting Division and General Services Procurement Division (GSPD) to derecognize from the accounting records of NTA-CO and exclude from the property records the commercial lot located in Payocpoc Norte Este, Bauang, La Union costing P153,430 as the property is already recorded in the books of NTA-La Union PBO.
- 3.1. Instruct the Branch Manager of Ilocos Norte PBO to direct the Accountant of the Branch to: (i) prepare appropriate accounting entry to revert back the unreleased checks as of December 31, 2021 to the Cash in Bank account to faithfully present the affected accounts in the FSs at year-end; and (ii) henceforth, ensure that unreleased checks at year-end be reverted back to the cash account(s) pursuant to Section 56, Chapter 19 of the GAM for NGAs, Volume I.
- 3.2. Direct the Ilocos Norte PBO Management to instruct the Cashier of the Branch to submit to the Accountant the list of unreleased checks at the end of the year, as basis of the latter in preparing a Journal Entry Voucher (JEV) to revert back the same to the Cash in Bank account.
- 4.1. Instruct the Accountants of NTA-Central Office (CO) and PBOs to:
- a. Recalculate and adjust the Allowance for Impairment Losses to fairly present the balances of the Receivables, Investments, and Non-Current Assets accounts in the FSs, in compliance with the pertinent provisions of IPSASs 3 and 29 as well as NTA's policy on Allowance for Impairment Losses; and
 - b. Monitor regularly evidence of impairment of the Agency's assets to ensure adequate provision for Allowance for Impairment Losses, once the conditions or observable data mentioned in Paragraph 68 of IPSAS 29 are present.
- 4.2. Consider amending the NTA's policies and guidelines relative to Allowance for Impairment, to include, among others, (i) rates used in the computation of Allowance for Impairment; and (ii) reckoning date to be used in determining the age of an account for uniformity and consistency of application by the CO and PBOs.

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

5. NTA Abra, Candon and Vigan PBOs granted new loans totaling P9.691 million to farmer-borrowers despite the latter still have existing past due loan balances from other projects aggregating P9.585 million, in view of the following lapses in granting and recording of loans, among others: (a) non-enforcement of

blacklisting of farmer-borrowers who are delinquent or with past due loan balances; (b) inadequate monitoring of the loan accounts of the farmer-borrowers due to absence of master list showing their outstanding loan balances on all projects, thus delinquent borrowers could not be easily identified; (c) lack of coordination between Operations and Accounting Divisions of the PBOs, resulting in the granting of loans to ineligible farmer-borrowers; and (d) lack of updated loan records and Subsidiary Ledgers (SLs) due to voluminous workload of the PBO Accountant, hence, the latter could not readily verify if the farmer-borrower/s still have existing unpaid loans. Consequently, other qualified farmer-borrowers were deprived of the opportunity to avail of the loan program and resulted in the accumulation of unpaid accounts.

5.1. We recommended that top Management:

- a. Direct the PBO Managers of NTA Abra, Candon and Vigan 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 Implementing Guidelines of the Programs, Activities and Projects (PAPs) is 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;
 - a.2. Direct 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 farmer-borrowers;
 - a.3. Augment the personnel assigned at the Accounting Division who will be tasked to assist the Accountant in updating of loan records and SLs of the farmer-borrowers, and sending of Statement of Accounts (SOAs) and demand letters regularly; and
 - a.4. Stop granting new loans to farmer-borrowers with unpaid past due accounts to avoid accumulation of dormant receivables;
- 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
- 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.

- 5.2. We further recommended that Management direct the PBOs concerned to strictly adhere with the Implementing Guidelines of the various NTA PAPs to avoid granting new loans to farmer-borrowers with existing past due balances from other loan programs; otherwise, hold responsible the officers and employees concerned who do not comply with NTA's policies and guidelines.
6. The regularity of the assistance and loans granted to tobacco farmer-cooperators by NTA Pangasinan, Isabela and Candon PBOs under four PAPs, namely, Curing Barn Assistance Program (CBAP), Integrated Farming and Other Income Generating Activities Project-Tobacco Contract Growing System (IFOIGAP-TCGS), Gulayan at Manukan sa Barangay II (GMB II), and Vegetable Seed Distribution II (VSD II), could not be ascertained due to the following deficiencies noted in the implementation of these PAPs:
 - a. The documentary requirements to support the grant of assistance and loans totaling P36.437 million to farmer-cooperators under CBAP and IFOIGAP-TCGS in NTA Pangasinan and Isabela PBOs were not submitted, contrary to Section 4(6) of PD No. 1445 and Section A-1 of the Implementing Guidelines of the CBAP; thus, propriety of the disbursements cannot be established;
 - b. Loans granted twice to 58 tobacco farmer-cooperators by the NTA Pangasinan PBO, the first release (January and February releases CY 2020-2021 CBAP) amounting to P1.144 million, while the second release (December release CY 2021-2022 CBAP) amounting to P1.160 million, were not supported with certifications or documents to prove that previous loans have been fully paid and/or that the recipients were affected by natural calamities, contrary to Item 1.c of the Implementing Guidelines of CBAP; and
 - c. Fifty farmer-beneficiaries, five from NTA Candon PBO and 45 from NTA Pangasinan PBO, who were granted materials and inputs under the GMB II were also recipients of materials and inputs under the VSD II in CY 2021, contrary to Section III-B of the Implementing Guidelines of the GMB II and VSD II.
- 6.1. We recommended that top Management direct the PBO Managers concerned to:
 - a. Require the Extension Workers of NTA Pangasinan and Isabela PBOs to submit the following documents, to avoid suspension of the subject transactions in audit:
 - a.1. Set 1 documents under CBAP Implementing Guidelines for curing barn assistance granted to farmer-cooperators by the NTA Pangasinan PBO, consisting of indorsement from the concerned Branch Manager, consolidated Farm Plan and Budget, Cluster Memorandum of Agreement (MOA) with list of avalees, and Guaranty Letter of contracted buyer firm;

- a.2. Approved master list/s of qualified recipients for curing barn assistance granted to farmer-cooperators by the Isabela PBO;
- a.3. Duly certified photocopies of valid Identification Cards (IDs) of the farmer-beneficiaries with signature affixed therein to support the loans granted to farmer-cooperators by the NTA Isabela PBO under the IFOIGAP – TCGS; and
- a.4. Sales Invoices/Official Receipts issued by the participating tobacco buyer firm to support the payment of seedlings costing P3.332 million for the implementation of IFOIGAP – TCGS by the NTA Isabela PBO;
- b. Instruct the PBO Accountants to ensure that all Disbursement Vouchers (DVs) are duly supported with complete and proper documentation before processing of payment, using the Implementing Guidelines of the NTA PAPs and COA Circular No. 2012-001 dated June 14, 2012, as reference; and
- c. Moving forward, ensure that:
 - c.1. Loan assistance under CBAP is granted to tobacco farmer-cooperators who have not availed of similar assistance in the past including Multi-Purpose Curing Barn (MPCB), unless they are affected by natural calamities and have no outstanding loan balance from their previous availment; and
 - c.2. Farmer-beneficiaries of the GMB II are not given materials and inputs under the VSD II, in compliance with Section III-A of the Implementing Guidelines of both projects.

The observations together with the recommended courses of action which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on May 31, 2022 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' partially and unimplemented audit recommendations embodied in Part III of the Report.

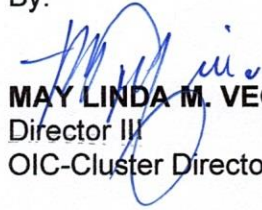
In our transmittal letter of even date, we request the Administrator of NTA to implement the recommendations contained in the Report and to inform this Commission of the actions taken thereon within 60 days from receipt of the Report.

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 III
OIC-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