



**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, 2022 and 2021

EXECUTIVE SUMMARY

INTRODUCTION

The National Tobacco Administration (NTA or Agency) is a non-stock government-owned and controlled corporation (GOCC), with business address at 11th Floor, The Upper Class Tower, Quezon Avenue corner Scout Reyes Street, Quezon City. It is an attached Agency of the Department of Agriculture (DA) operating under the administration of Administrator/Chief Executive Officer (CEO) Belinda S. Sanchez, the Head of the Agency. It is 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 tobacco agencies were merged to the NTA, namely, 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 members, serves as the policy-making body of the Agency. The NTA has eight Provincial Branch Offices (PBOs), five are located in Region I, two are in Region II, and one in the Cordillera Administrative Region (CAR). It has two Special Projects, namely the Kadiwa ni Ani at Kita and Tobacco Dust Production Agribusiness Project.

As of December 31, 2022, the NTA's personnel complement consists of 257 regular employees and 162 Job Order workers, or a total of 419, broken down as follows:

	Regular	Job Order	Total
Central Office (CO)	70	25	95
PBOs/Department			
Farm Technology and Services Department	13	20	33
Abra	12	15	27
Cagayan	11	11	22
Candon	38	17	55
Ilocos Norte	22	16	38
Isabela	17	11	28
La Union	30	12	42
Pangasinan	23	7	30
Vigan	21	12	33
	187	121	308
Special Projects			
Kadiwa ni Ani at Kita	-	12	12
Tobacco Dust Production Agribusiness Project	-	4	4
	-	16	16
	257	162	419

FINANCIAL HIGHLIGHTS (In Philippine Pesos)

I. Comparative Financial Position

	2022	2021 As restated	Increase/ (Decrease)
Total assets	1,860,841,380	1,905,835,177	(44,993,797)
Total liabilities	381,357,786	415,259,892	(33,902,106)
Net assets/equity	1,479,483,594	1,490,575,285	(11,091,691)

II. Comparative Financial Performance

	2022	2021 As restated	Increase/ (Decrease)
Total revenues	134,951,397	171,381,331	(36,429,934)
Total current operating expenses	778,348,430	589,244,433	189,103,997
Deficit from current operations	(643,397,033)	(417,863,102)	(225,533,931)
Other non-operating income/(losses)	831,615	(20,229,138)	21,060,753
Subsidy income from the national government	605,520,100	422,135,000	183,385,100
Net deficit for the period	(37,045,318)	(15,957,240)	21,088,078

III. Comparison of Budget and Actual Amounts

	Budget	Actual	Difference
Personnel services	295,070,000	235,951,349	59,118,651
Maintenance and other operating expenses	499,751,000	382,436,779	117,314,221
Investment outlay	287,985,000	159,840,888	128,144,112
Capital outlay	61,150,000	10,107,975	51,042,025
Financial expenses	-	4,663	(4,663)
Accounts payable	-	49,242,485	(49,242,485)
	1,143,956,000	837,584,139	306,371,861

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, 2022 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, 2022 and 2021. 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, 2022 and 2021, in view of the following:

1. 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 *dacion en pago* 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.

2. 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.
3. 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 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.

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

- 1.1. 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.
- 2.1. Instruct the Head of the Accounting Division to: (a) strictly observe the accrual basis of accounting, and (b) recognize the Competitive Enhancement Fees for the second semester of calendar year (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.

- 2.2. Require the Finance Department to: (a) 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 (b) furnish immediately the Accounting Division with copies of the Notices of Billing, as basis in recording of income from Competitive Enhancement Fees, moving forward.
- 3.1. 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.
- 3.2. Instruct the Accounting Division to regularly monitor the transactions on the deposits of regulation fees 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, moving forward.

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

4. 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:
 - 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 authorized signatories, contrary to Section V.3 of the Implementing Guidelines (IG) of ECA;
 - 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;
 - 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

- 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 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.
- 4.1. We recommended that NTA top Management direct the:
- a. Managers of NTA Abra, Candon, and Vigan PBOs to:
 - a.1. Submit to the Audit Teams concerned, for verification and validation, the following documents:
 - i. Duly-approved List of Beneficiaries of ECA verified from the Masterlist of the Deputy Administrator for Operations (DAOP) and approved by the NTA Administrator;
 - 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;
 - iii. Proof of registration of the farmer-beneficiaries with the RSBSA;
 - iv. Proof that the farmer-recipients planted tobacco in CYs 2021-2022; and
 - v. Duly-certified photocopies of valid IDs of the farmer-recipients with photographs and signatures affixed therein;
 - a.2. Hold responsible/accountable the erring personnel who granted ECA to tobacco farmers who are not qualified under the Program; and
 - 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
 - b. Managers of NTA Abra, Candon, Cagayan and Vigan PBOs to coordinate with the DAOP and Farm Technology and Services Department (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.
5. 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.

5.1. 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 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;
 - 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
 - a.3. 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, avallment, processing, recording and monitoring of loans under the various loan programs of NTA.

5.2. We further recommended that top Management:

- d. Direct the Management Information System Division of the Corporate Planning Department to develop a system that will automate the process on the granting of loans to farmer-borrowers; and
- 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.

SUMMARY OF AUDIT DISALLOWANCES, SUSPENSION, AND CHARGE

As of December 31, 2022, total unsettled audit disallowances, suspension, and charge amounted to P24.827 million, P22,575, and P54,280, respectively, the details and status are presented in Part IV, **Annex A** of this Report.

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

Of the 67 audit recommendations embodied in the prior years' Annual Audit Reports, 24 were fully implemented, 27 were partially implemented, 7 were not implemented, while 9 were closed as the recommendations are no longer doable. 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
11th Floor, The Upper Class Tower
Quezon Avenue cor. Scout Reyes Street
Barangay 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, 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 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 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 by way of *dacion en pago* Agreement on July 30, 2002, is not in accord with Paragraph 7 of the 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 of the Accumulated surplus/(deficit) account by P87.615 million as at December 31, 2022.

Likewise, 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.

Moreover, 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 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.

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, 2022 required by the Bureau of Internal Revenue as disclosed in Note 31 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


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

May 26, 2023



Republic of the Philippines

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**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, 2022 and 2021 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.



DA-CO-OSEC-UC.20230508-0065


DOMINGO F. PANGANIBAN
Alternate Chairman of the Board


BELINDA S. SANCHEZ
Administrator/CEO


MILAGROS C. TIW
OIC, Finance Department


CHRYZEL HIRIEZE MARIE P. ESTACIO
OIC, Accounting Division

Signed this 8th of May 2023

NATIONAL TOBACCO ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
ASSETS			
Current assets			
Cash and cash equivalents	5	411,648,487	383,771,804
Receivables - net	6	795,083,075	875,561,185
Inventories	7	68,342,751	32,584,301
Other current assets	11.1	107,999,168	100,294,436
Total current assets		1,383,073,481	1,392,211,726
Non-current assets			
Investments - net	8	1,122,433	14,122,433
Investment property	9	42,922,052	-
Property, plant and equipment - net	10	432,776,947	497,374,392
Other non-current assets - net	11.2	946,467	2,126,626
Total non-current assets		477,767,899	513,623,451
TOTAL ASSETS		1,860,841,380	1,905,835,177
LIABILITIES			
Current liabilities			
Financial liabilities	12	113,679,685	155,149,578
Inter-agency payables	13	6,689,606	4,517,314
Intra-agency payables - net	14	-	3,356,813
Other current liabilities	15	36,725,376	35,537,337
Total current liabilities		157,094,667	198,561,042
Non-current liabilities			
Financial liabilities	12	78,729,152	78,729,152
Provisions	16	145,533,967	137,969,698
Total non-current liabilities		224,263,119	216,698,850
Total Liabilities		381,357,786	415,259,892
Net Assets (Total Assets less Total Liabilities)		1,479,483,594	1,490,575,285
NET ASSETS/EQUITY			
Government equity	28	411,507,110	411,329,790
Accumulated surplus/(deficit)	29	1,067,976,484	1,079,245,495
Total Net Assets/Equity		1,479,483,594	1,490,575,285

The notes on pages 11 to 57 form part of these financial statements.

NATIONAL TOBACCO ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
Revenue			
Service and business income	17	134,951,397	171,381,331
Total Revenue		134,951,397	171,381,331
Current Operating Expenses			
Personnel services	18	235,951,349	198,342,016
Maintenance and other operating expenses	19	382,436,779	302,103,192
Non-cash expenses	20	159,735,454	87,445,349
Direct costs	21	220,185	1,309,003
Financial expenses	22	4,663	44,873
Total Current Operating Expenses		778,348,430	589,244,433
Deficit from Current Operations		(643,397,033)	(417,863,102)
Other non-operating income	23	1,920,517	1,477,461
Gains	24.1	610,450	14,898
Losses	24.2	(1,699,352)	(21,721,497)
Deficit before tax		(642,565,418)	(438,092,240)
Income tax expense/(benefit)		-	-
Deficit after tax		(642,565,418)	(438,092,240)
Asistance/subsidy income from national government	25	605,520,100	422,135,000
Net deficit for the period		(37,045,318)	(15,957,240)

The notes on pages 11 to 57 form part of these financial statements.

NATIONAL TOBACCO ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	Government equity Note 28	Accumulated surplus/(deficit) Note 29	Total
Balance at January 1, 2021, as restated		411,329,790	1,082,998,173	1,494,327,963
Changes in equity for CY 2021				
Add/(Deduct):				
Deficit for the period, as restated		-	(15,957,240)	(15,957,240)
Adjustments due to prior period errors	29.1	-	12,204,562	12,204,562
BALANCE AS AT DECEMBER 31, 2021, AS RESTATED		411,329,790	1,079,245,495	1,490,575,285
Changes in equity for CY 2022				
Add/(Deduct):				
Deficit for the period		-	(37,045,318)	(37,045,318)
Additions during the year		330,750	-	330,750
Adjustments due to prior period errors	29.1	(153,430)	25,776,307	25,622,877
BALANCE AS AT DECEMBER 31, 2022		411,507,110	1,067,976,484	1,479,483,594

The notes on pages 11 to 57 form part of these financial statements.

NATIONAL TOBACCO ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of intra-agency fund transfers		696,168,691	738,574,773
Subsidy income from national government		605,520,100	422,135,000
Collection of production/facility assistance		179,361,668	197,116,362
Collection of income		116,921,877	141,507,339
Trust receipts		51,230,978	91,769,595
Collection of receivables		20,304,731	6,709,781
Refund of cash advances		2,805,048	5,678,414
Total cash inflows		1,672,313,093	1,603,491,264
Cash outflows			
Release of intra-agency fund transfers		885,477,850	869,567,061
Payment of expenses		404,877,634	343,259,632
Facility/production assistance		159,840,888	207,364,659
Remittance of personnel benefit contributions and mandatory contributions		83,825,543	106,288,947
Payment of payables		49,242,485	3,289,160
Grant of cash advances		38,140,768	79,951,238
Purchase of inventories		3,818,047	18,085,775
Advances for mobilization fee		-	71,102,032
Prepayments		9,182,745	-
Total cash outflows		1,634,405,960	1,698,908,504
Net cash provided by/(used in) operating activities	26	37,907,133	(95,417,240)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow			
Proceeds from disposal of properties		77,525	21,135
Total cash inflow		77,525	21,135
Cash outflow			
Acquisition of property, plant and equipment		10,107,975	21,120,225
Total cash outflow		10,107,975	21,120,225
Net cash used in investing activities		(10,030,450)	(21,099,090)
Increase/(decrease) in cash and cash equivalents		27,876,683	(116,516,330)
Cash and cash equivalents, January 1		383,771,804	500,288,134
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	411,648,487	383,771,804

The notes on pages 11 to 57 form part of these financial statements.

NATIONAL TOBACCO ADMINISTRATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2022
(In Philippine Peso)

	Budget Amounts		Actual amounts	Difference Final budget and actual
	Original	Final		
Receipts				
Cash and cash equivalents	383,660,000	383,660,000	383,771,804	(111,804)
Collection of receivables	170,142,000	170,142,000	199,666,399	(29,524,399)
Assistance and subsidy	605,520,000	605,520,000	605,520,100	(100)
Service and business income	185,371,000	185,371,000	134,951,397	50,419,603
Other income	-	-	1,920,517	(1,920,517)
Gains	-	-	610,450	(610,450)
	1,344,693,000	1,344,693,000	1,326,440,667	18,252,333
Payments				
Personnel services	295,070,000	295,070,000	235,951,349	59,118,651
Maintenance and other operating expenses	504,894,000	499,751,000	382,436,779	117,314,221
Capital outlay	61,150,000	61,150,000	10,107,975	51,042,025
Financial expenses	-	-	4,663	(4,663)
Investment outlay	287,985,000	287,985,000	159,840,888	128,144,112
Accounts payable	-	-	49,242,485	(49,242,485)
	1,149,099,000	1,143,956,000	837,584,139	306,371,861
Net payments	195,594,000	200,737,000	488,856,528	(288,119,528)

The notes on pages 11 to 57 form part of these financial statements.

NATIONAL TOBACCO ADMINISTRATION
NOTES TO FINANCIAL STATEMENTS
(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 11th Floor, The Upper Class Tower, Quezon Avenue corner Scout Reyes Street, Barangay Paligsahan, Quezon City, due to the reconstruction of the old building.

Under EO No. 116, eight tobacco agencies were merged to the NTA, namely, Philippine Tobacco Administration (PTA); Philippine Tobacco Board; 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 members, serves as the policy-making body of the Agency. The NTA has eight Provincial Branch Offices (PBOs): five are located in Region I, two are in Region II, and one is in the Cordillera Administrative Region and, two Special Projects: the Kadiwa ni Ani at Kita and the Tobacco Dust Production Agribusiness Project.

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 has 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 scholarship for dependents of tobacco farmers in collaboration with state colleges and universities; 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 and development of alternative uses of tobacco and similar research programs.

To effectively pursue the aforementioned mandates, the NTA has been entrusted with the 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

An improved quality of life of the tobacco farmers and other stakeholders through increased productivity and other income-generating activities.

Mission

For the effective actualization of the vision, NTA is committed to: enhance capabilities, build synergistic relationship among sectors, and mobilize resources for the development of the tobacco industry, for the benefit of the tobacco farmers and other industry stakeholders.

The financial statements of the NTA were approved and authorized for issue by the NTA Governing Board on May 8, 2023.

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. 2020-01 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 IPSASs and updates on the IPSASs, prescribed for adoption through COA Resolution No. 2014-003 in accordance with the 2016 HIPSAP, were adopted.

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 Statement of Cash Flows is prepared using the direct method. The accounts were reclassified in conformity with the Updated Revised Chart of Accounts (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*.

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 to corporate funds for purposes of financial reporting. The financial operation of the NTA has not yet been computerized due to budgetary constraints.

The eight PBOs and two Special Projects 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 branch accounting system for the financial operation of its PBOs and Special Projects to decentralize operations and allow fiscal autonomy in the management of the PBOs and Special Projects.

The combined financial statements reflect the assets, liabilities, revenues and expenses of the NTA CO, eight PBOs, and two Special Projects.

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, trade receivables, investments, and guaranty deposits under the "Other current assets" account. (See Notes 5, 6, 8, and 11)

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, 2022, 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 the NTA of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset 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 either 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 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 recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The NTA's financial liabilities include payables and other current liabilities. (See *Notes 12 and 15*)

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 as December 31, 2022, 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 12*)

iii. Derecognition

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

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 Statement 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 7)

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. 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.

Net realizable value (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 expense upon issuance to end-user. (See Note 7)

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 mainly composed of land. (See Note 9)

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

a. Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE. (See Note 10)

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 for 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 non-exchange transaction is measured at its fair value as at the date of acquisition.

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

Cost includes the following:

- 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 expense in surplus or deficit as incurred.

d. Depreciation

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

The depreciation charge for each period is recognized as expense, unless it is included in the cost of another asset. (See Note 20.2)

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
Motor vehicles	-	7 years
Furniture and fixtures	-	10 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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

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 planned construction of a new NTA-CO Building, the NTA leased from 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 for a period of four years, renewable, beginning on January 2, 2019 to January 1, 2023, as provided in the Lease Contract of the parties entered and executed 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 on the second year. The NTA entered into a Lease Extension Agreement with Ben-Lor Realty Trading and Publishing Corporation for two months, commencing from January 2, 2023 to March 1, 2023. (See Note 19.3)

In view of the expiration of the Lease Contract 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, Barangay Paligsahan, Quezon City for a period of four years, commencing on 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 on the third year.

The NTA as a lessor

Operating lease

Leases in which 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 in which it is earned. (See Note 17.2)

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 Statement 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 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 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.

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 were 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 in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

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 are 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 income from national government received annually by the NTA. (See Note 25)

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 that reduction.

c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the 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 binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which 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 rendering of services 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 17.1)

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

The interest income of the NTA arises from the interest earned from the loans that are extended to farmers under the production/facility assistance projects of the NTA. (See Note 17.2)

d. Rent income

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

The property being leased to outside parties is recorded as part of the PPE account. Income earned from rentals is disclosed in Note 17.2.

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 30.

3.14. Employee Benefits

The 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 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 16)

3.15. Measurement of uncertainty

The preparation of financial statements in conformity with IPSASs requires Management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 these financial statements and actual results could differ from the estimates.

Items requiring the use of significant estimates include, but not limited to, the following:

a. Allowance for impairment losses

In assessing impairment, 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 trade receivables, allowance for impairment shall be provided in an amount based on 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 as required under Section 10, Chapter 7 of Government Accounting Manual, Volume I (See Note 20.1). The provision for allowance for doubtful accounts of the NTA, now allowance for impairment, approved through Board Resolution No. 620-2017 dated January 13, 2017 and amended through Board Resolution No. 011, s. 2022 dated October 27, 2022, is computed as follows:

Age of account	Percentage of allowance
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 P107.410 million and P43.107 million for receivables in Calendar Years (CYs) 2022 and 2021, respectively, as disclosed in Note 20.1.

b. Property, plant and equipment

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 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 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 NTA Offices of the Administrator and Deputy Administrators, as well as, 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	2022	2021 As restated
Financial assets			
Cash in bank	5	410,734,159	382,623,694
Receivables - net	6	795,083,075	875,561,185
Guaranty deposits	11.1	9,589,245	5,443,720
Investments - net	8	1,122,433	14,122,433
		1,216,528,912	1,277,751,032
Financial liabilities			
Financial liabilities	12	192,408,837	233,878,730
Other current liabilities	15	36,725,376	35,537,337
		229,134,213	269,416,067

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 only dealing with creditworthy counterparties. 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 generally are 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 farmers/borrowers are not allowed to new production assistance if the payment to 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 its cash with high-credit quality banking institutions.

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, 2022 and 2021, without considering the effects of credit risk mitigation techniques is presented in the table below.

	Note	2022	2021
Financial assets			
Cash in bank	5	410,734,159	382,623,694
Receivables*	6.4	1,330,489,465	1,324,801,091
Investments**	8	14,122,433	14,122,433
		1,755,346,057	1,721,547,218

* Gross of allowance for impairment losses amounting to P535,406,390 and P449,239,906 as at December 31, 2022 and 2021, respectively.

** Gross of allowance amounting to P13,000,000 and nil as at December 31, 2022 and 2021, respectively.

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 requirement.
- 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 approval by 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. 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 is required to implement NTA's credit policies and procedures, with credit approval authorities delegated from Management.

The audits of NTA production assistance programs are 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 this allowance is 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 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 NTA's receivables as at December 31, 2022 and 2021 is as follows:

	Note	2022	2021
Outstanding receivables: *	6.4		
0 to one year		179,327,148	347,820,595
More than one year to five years		395,207,225	392,061,988
More than five years to 10 years		337,266,521	250,423,051
More than 10 years		418,688,571	334,495,457
		1,330,489,465	1,324,801,091

* Gross of allowance for impairment amounting to P535,406,390 and P449,239,906 as at December 31, 2022 and 2021, 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 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, 2022 and 2021.

As at December 31, 2022	Within one year	One to five years	Over five years	Total
Financial liabilities	49,570,852	63,788,240	79,049,745	192,408,837
Other current liabilities	14,732,462	20,994,588	998,326	36,725,376
	64,303,314	84,782,828	80,048,071	229,134,213

As at December 31, 2021 (As restated)	Within one year	One to five years	Over five years	Total
Financial liabilities	89,616,182	65,239,496	79,023,052	233,878,730
Other current liabilities	10,092,255	24,492,720	952,362	35,537,337
	99,708,437	89,732,216	79,975,414	269,416,067

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 so as 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 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 mandatory standards is supported by a program of periodic reviews undertaken by 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:

	2022	2021
Cash in bank	410,734,159	382,623,694
Cash on hand	914,328	1,148,110
	411,648,487	383,771,804

The Cash in bank account pertains to deposits made to authorized government depository banks, while Cash on hand account consists of unremitted collections from the Collecting Officers. Interest income on deposits for CYs 2022 and 2021 amounted to P120,834 and P179,693, respectively, as disclosed under *Note 23*.

6. RECEIVABLES

	Note	2022		2021		Total	
		Current	Non-current	Current	Non-current		
Loans and receivables - net	6.1	757,867,682	-	757,867,682	837,007,353	-	837,007,353
Inter-agency receivables - net	6.2	257,382	-	257,382	693,525	-	693,525
Other receivables - net	6.3	36,958,011	-	36,958,011	37,860,307	-	37,860,307
		795,083,075	-	795,083,075	875,561,185	-	875,561,185

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 due from officers and employees.

6.1 Loans and receivables

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Loans receivable	1,064,440,350	5,414,040	1,069,854,390	1,042,653,874	5,414,040	1,048,067,914
Notes receivable	-	77,734,275	77,734,275	-	77,734,275	77,734,275
Trade receivables	32,490,241	781,245	33,271,486	48,406,133	781,245	49,187,378
Interest receivable	100,783,706	187,395	100,971,101	100,783,706	187,395	100,971,101
	1,197,714,297	84,116,955	1,281,831,252	1,191,843,713	84,116,955	1,275,960,668
Less: Allowance for impairment	439,846,615	84,116,955	523,963,570	354,836,360	84,116,955	438,953,315
	757,867,682	-	757,867,682	837,007,353	-	837,007,353

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 Barñ Assistance Project (CBAP); Farm Mechanization, Renewable Fuelwood Energy Farm Development Project and Restoration of Ecological Integrity Project; Beef Cattle Production Assistance Program (BCPAP); and others.

Notes receivable 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 Allowance for impairment on loans and receivables accounts amounted to P350.425 million, P77.734 million, P9.703 million, and P86.101 million in CY 2022, and P265.715 million, P77.734 million, P9.321 million, and P86.183 million in CY 2021 for Loans receivable, Notes receivable, Trade receivables, and Interest receivable, respectively. The non-current loans and receivables were provided with a 100 per cent Allowance for impairment.

6.2 Inter-agency receivables

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Due from NGAs	872,382	-	872,382	615,000	-	615,000
Due from GOCCs	78,525	-	78,525	78,525	-	78,525
	950,907	-	950,907	693,525	-	693,525
Less: Allowance for impairment	693,525	-	693,525	-	-	-
	257,382	-	257,382	693,525	-	693,525

NGAs – National Government Agencies

6.3 Other receivables

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Disallowances and charges	30,560,575	-	30,560,575	30,677,736	-	30,677,736
Due from officers and employees	4,168,921	-	4,168,921	4,236,035	-	4,236,035
Other receivables	9,898,021	3,079,789	12,977,810	10,153,338	3,079,789	13,233,127
	44,627,517	3,079,789	47,707,306	45,067,109	3,079,789	48,146,898
Less: Allowance for impairment	7,669,506	3,079,789	10,749,295	7,206,802	3,079,789	10,286,591
	36,958,011	-	36,958,011	37,860,307	-	37,860,307

6.4 Aging/Analysis of receivables

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	165,814,265	379,023,879	306,917,053	218,099,193	1,069,854,390
Notes receivable	-	-	-	77,734,275	77,734,275
Trade receivables	11,015,293	12,455,032	633,680	9,167,481	33,271,486
Interest receivable	-	-	24,646,464	76,324,637	100,971,101
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 and 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
	179,327,148	395,207,225	337,266,521	418,688,571	1,330,489,465

As at December 31, 2021

	0 to 1 year	More than 1 to 5 years	More than 5 to 10 years	More than 10 years	Total
Loans receivable	319,325,872	375,304,110	219,325,445	134,112,487	1,048,067,914
Notes receivable	-	-	-	77,734,275	77,734,275
Trade receivables	25,483,923	13,630,755	792,282	9,280,418	49,187,378
Interest receivable	-	-	24,646,464	76,324,637	100,971,101
Inter-agency receivables	-	-	-	693,525	693,525
Due from officers and employees	2,208,193	1,079,203	464,568	484,071	4,236,035
Disallowances and charges	800,907	882,919	2,341,502	26,652,408	30,677,736
Other receivables	1,700	1,165,001	2,852,790	9,213,636	13,233,127
	347,820,595	392,061,988	250,423,051	334,495,457	1,324,801,091

The Allowance for impairment - receivables as at December 31, 2022 is computed as follows:

	Note	Amount
Allowance for impairment, December 31, 2021		
Loans and receivables	6.1	438,953,315
Other receivables	6.3	10,286,591
		449,239,906
Provision for impairment – Loans receivable CY 2022	20.1	106,716,734
Provision for impairment – Inter-agency receivables CY 2022	20.1	693,525
Adjustments due to prior period errors on receivables	29.1	(21,056,932)
Overprovision charged to Miscellaneous income		(186,843)
Allowance for impairment, December 31, 2022		535,406,390

7. INVENTORIES

Breakdown of this account is as follows:

	Note	2022		2021	
		Inventories carried at lower of cost and NRV	Inventories carried at fair value less costs to sell	Inventories carried at lower of cost and NRV	Inventories carried at fair value less costs to sell
Agricultural and marine supplies inventory					
Carrying amount, January 1		11,015,404	-	10,361,500	-
Additions/acquisitions during the year		52,907,875	-	18,208,825	-
Expensed during the year, except write-down	19.4	(2,173,885)	-	(331,529)	-
Other adjustments		(26,195,304)	-	(17,223,392)	-
Carrying amount, December 31		35,554,090	-	11,015,404	-
Semi-expendable inventory					
Carrying amount, January 1		5,594,235	-	3,863,873	-
Additions/acquisitions during the year		3,830,304	-	3,473,831	-
Expensed during the year, except write-down	19.4	(3,462,918)	-	(2,496,561)	-
Other adjustments		3,433,185	-	753,092	-
Carrying amount, December 31		9,394,806	-	5,594,235	-
Medical, dental and laboratory supplies inventory					
Carrying amount, January 1		410,936	-	3,210	-
Additions/acquisitions during the year		1,422,074	-	3,146,482	-
Expensed during the year, except write-down	19.4	(1,478,090)	-	(2,777,196)	-
Other adjustments		96,670	-	38,440	-
Carrying amount, December 31		451,590	-	410,936	-
Accountable and non-accountable forms inventory					
Carrying amount, January 1		486,756	-	394,302	-
Additions/acquisitions during the year		512,690	-	192,985	-
Expensed during the year, except write-down	19.4	(329,741)	-	(83,140)	-
Other adjustments		(228,036)	-	(17,391)	-
Carrying amount, December 31		441,669	-	486,756	-
Finished goods inventory					
Carrying amount, January 1		191,723	-	474,016	-
Additions/acquisitions during the year		373,915	-	1,014,386	-
Expensed during the year, except write-down	21	(220,185)	-	(1,309,003)	-
Other adjustments		(181,198)	-	12,324	-
Carrying amount, December 31		164,255	-	191,723	-
Office supplies inventory					
Carrying amount, January 1		190,673	-	383,753	-
Additions/acquisitions during the year		3,863,919	-	2,701,481	-
Expensed during the year, except write-down	19.4	(3,760,780)	-	(2,781,884)	-
Other adjustments		(73,251)	-	(112,677)	-
Carrying amount, December 31		220,561	-	190,673	-
Raw materials inventory					
Carrying amount, January 1		59,588	-	39,298	-
Additions/acquisitions during the year		-	-	990,530	-
Expensed during the year, except write-down		-	-	(970,240)	-
Other adjustments		(1,325)	-	-	-
Carrying amount, December 31		58,263	-	59,588	-

	Note	2022		2021	
		Inventories carried at lower of cost and NRV	Inventories carried at fair value less costs to sell	Inventories carried at lower of cost and NRV	Inventories carried at fair value less costs to sell
Other supplies inventory					
Carrying amount, January 1		14,634,986	-	14,827,079	-
Additions/acquisitions during the year		7,654,647	-	4,455,440	-
Expensed during the year, except write-down	19.4	(1,787,277)	-	(967,723)	-
Other adjustments		1,555,161	-	(3,679,810)	-
Carrying amount, December 31		22,057,517	-	14,634,986	-
		68,342,751	-	32,584,301	-

The Agricultural and marine supplies inventory consists of fertilizers, fungicides, and suckercides intended for distribution to tobacco farmers as loans in CY 2022.

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

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

Other supplies inventory includes unserviceable properties which are below the capitalization threshold of P50,000 as at December 31, 2022. It also contains materials used in Improved Tobacco Seedling Production Project such as cacha, seedling tray and plastic sheet which are expected to last for three cropping seasons.

8. INVESTMENTS

This account consists of the following:

	2022	2021
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
Less: Allowance for impairment	13,000,000	-
	1,122,433	14,122,433

The 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 PVB and 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 NTA.

The NTA entered into agreement with 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 Investments 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.

The Allowance for impairment recognized on Other investments amounted to P13.000 million and nil in CYs 2022 and 2021, respectively. (See Note 20.1)

9. INVESTMENT PROPERTY

The various parcels of land located in Maguindanao, Isabela, Bulacan, Las Piñas, Paco, Manila, Montalban, Rizal and Occidental Mindoro in the total amount to P42.922 million were transferred from the PPE - Land account in CY 2022, as these properties are held for a currently undetermined future use.

10. PROPERTY, PLANT AND EQUIPMENT

Breakdown of this account is as follows:

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
Cost:						
Balance, 01/01/2022	101,570,204	421,742,055	223,710,251	56,779,716	-	803,802,226
Additions	273,600	10,810,583	14,272,827	2,290,372	455,680	28,103,062
Disposals	-	-	(498,933)	(1,239,900)	-	(1,738,833)
Transferred to Investment property (Note 9)	(42,922,052)	-	-	-	-	(42,922,052)
Adjustments	742,320	(14,311,465)	(15,696,184)	(6,829,532)	10,855,664	(25,239,197)
Balance, 12/31/2022	59,664,072	418,241,173	221,787,961	51,000,656	11,311,344	762,005,206
Accumulated depreciation:						
Balance, 01/01/2022	-	122,098,061	155,041,804	29,287,969	-	306,427,834
Depreciation (Note 20.2)	-	18,145,820	16,443,965	3,967,021	-	38,556,806
Disposals	-	-	(356,193)	(1,115,910)	-	(1,472,103)
Adjustments	-	(858,993)	(10,743,602)	(2,681,683)	-	(14,284,278)
Balance, 12/31/2022	-	139,384,888	160,385,974	29,457,397	-	329,228,259
Carrying amount, 12/31/2022	59,664,072	278,856,285	61,401,987	21,543,259	11,311,344	432,776,947

As at December 31, 2021

	Land	Land improvements, building and other structures	Various equipment	Furniture and fixtures, books, motor vehicles and other PPE	Construction in progress	Total
Cost:						
Balance, 01/01/2021	101,428,104	459,070,184	218,828,704	55,823,444	-	835,150,436
Additions	142,100	17,349,768	8,043,484	1,063,929	-	26,599,281
Disposals	-	(50,292,923)	(1,342,890)	(121,684)	-	(51,757,497)
Adjustment	-	(4,384,974)	(1,819,047)	14,027	-	(6,189,994)
Balance, 12/31/2021	101,570,204	421,742,055	223,710,251	56,779,716	-	803,802,226
Accumulated depreciation:						
Balance, 01/01/2021	-	142,011,830	141,601,875	24,656,177	-	308,269,882
Depreciation (Note 20.2)	-	12,503,618	14,710,167	4,691,317	-	31,905,102
Disposals	-	(32,775,753)	(1,099,978)	(387,422)	-	(34,263,153)
Adjustments	-	358,366	(170,260)	327,897	-	516,003
Balance, 12/31/2021	-	122,098,061	155,041,804	29,287,969	-	306,427,834
Carrying amount, 12/31/2021	101,570,204	299,643,994	68,668,447	27,491,747	-	497,374,392

11. OTHER ASSETS - CURRENT AND NON-CURRENT

11.1 Other current assets

This account consists of the following:

	2022	2021
Advances		
Disbursing officers	1,658,734	1,658,734
Advances to officers and employees	147,676	212,179
Advances for operating expenses	54,489	49,068
Payroll fund	27,896	35,273
	1,888,795	1,955,254
Prepayments		
Prepaid rent	4,105,482	27,450
Prepaid insurance	1,029,558	214,655
Other prepaid expenses	91,330,468	92,597,737
	96,465,508	92,839,842
Others		
Guaranty deposits	9,589,245	5,443,720
Other current deposits	55,620	55,620
	9,644,865	5,499,340
	107,999,168	100,294,436

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

The balance of Disbursing officers account represents advances to regular 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 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.

11.2 Other non-current assets

	2022	2021
Investments	28,633,897	28,633,897
Defunct tobacco agencies accounts	1,508,498	1,508,498
Unserviceable property	946,467	829,646
Other non-current assets	84,852,852	84,987,222
	115,941,714	115,959,263
Less: Allowance for impairment		
Investments	28,633,897	28,633,897
Defunct tobacco agencies accounts	1,508,498	1,508,498
Other non-current assets	84,852,852	83,690,242
	114,995,247	113,832,637
	946,467	2,126,626

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

The Defunct tobacco agencies accounts include the loans receivables, interest receivable, trade receivables, due from officers and employees, other receivables, disallowances and other accounts that were previously owned by the defunct tobacco agencies which remained non-moving for more than 10 years.

The Other non-current assets include several non-moving accounts carried over from the books of the eight 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 based on the recommendation of the COA.

The Allowance for impairment - Other non-current assets as at December 31, 2022 is computed as follows:

	Note	Amount
Allowance for impairment, December 31, 2021		83,690,242
Adjustments due to prior period errors	29.1	394,221
Provision for impairment - Other non-current assets CY 2022	20.1	768,389
Allowance for impairment, December 31, 2022		84,852,852

12. FINANCIAL LIABILITIES

The breakdown of the account is as follows:

	2022			2021		
				As restated		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	107,315,273	-	107,315,273	147,042,494	-	147,042,494
Due to officers and employees	6,364,412	-	6,364,412	8,107,084	-	8,107,084
Notes payable	-	78,729,152	78,729,152	-	78,729,152	78,729,152
	113,679,685	78,729,152	192,408,837	155,149,578	78,729,152	233,878,730

The Accounts payable account consists mostly of unliquidated or certified obligations as at December 31, 2022 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 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 years with grace period of four years and the repayment started on the fifth year up to July 2009.

However, the interests and penalties from CY 2006 up to date were not recorded in the books of the NTA 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 located in San Isidro, Rodriguez, Rizal as settlement of NTA's principal loan, including interests and penalties thereon. On December 16, 2021, Management was informed that the letter-request for loan restructuring was forwarded to the Legal Department of the PDIC for review and transmittal to the PDIC Board of Directors for approval. On January 10, 2022, Management wrote a follow-up letter to the PDIC on the status of request for loan restructuring. In a letter dated February 3, 2022, the PDIC informed NTA Management that they are currently evaluating the proposal of loan restructuring and the NTA will be notified on the result of the counter proposal once the final terms are approved by the appropriate approving authority.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Accounts payable account for CY 2021 is restated as follows:

	Amount
Accounts payable, December 31, 2021	147,022,122
Add/(deduct) adjustments on:	
Overpayment of wages for CY 2021	(2,085)
Adjustment on salary differential for CY 2021	22,457
Accounts payable, December 31, 2021, as restated	147,042,494

13. INTER-AGENCY PAYABLES

The breakdown of this account is as follows:

	Note	2022	2021
Due to Bureau of Internal Revenue (BIR)	31.1 (b)	3,689,923	2,497,195
Due to GSIS	32	2,546,472	1,822,069
Due to Home Development Mutual Fund (Pag-IBIG)		260,622	119,123
Due to Philippine Health Insurance Corporation (PhilHealth)		156,934	78,927
Due to Social Security System (SSS)		35,655	-
		6,689,606	4,517,314

14. INTRA-AGENCY PAYABLES

The Intra-agency payables account amounted to nil in CY 2022 and P3.357 million in CY 2021 as restated which represents net of Intra-agency receivables representing floating items such as 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 payables account for CY 2021 is restated as follows:

	Amount
Intra-agency payables, December 31, 2021	-
Add/(deduct) adjustments on:	
Receivables - Pangasinan	1,196,409
Receivables - Abra	857,518
Receivables - La Union	787,314
Receivables - Vigan	687,031
Receivables - Isabela	(54,000)
Receivables - Candon	(117,459)
Intra-agency payables, December 31, 2021, as restated	3,356,813

15. OTHER CURRENT LIABILITIES

The breakdown of this account is as follows:

	2022	2021
Guaranty deposits payable	6,300	6,300
Other payables	36,719,076	35,531,037
	36,725,376	35,537,337

The Other payables account includes deposits of importers, exporters, manufacturers and transhippers on regulatory transactions; fees collected from private 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 (QUEDANCOR), Gintong Alay, and Government Employees Mutual Benefit Association.

16. PROVISIONS

This account includes the provisions for leave benefits payable amounting to P145.534 million and P137.970 million as at December 31, 2022 and 2021, respectively, which was recognized by the NTA in compliance with the provisions of IPSAS 19.

17. SERVICE AND BUSINESS INCOME

The breakdown of this account is as follows:

	Note	2022	2021 As restated
Service income	17.1	129,642,834	164,081,536
Business income	17.2	5,308,563	7,299,795
		134,951,397	171,381,331

17.1 Service Income

	2022	2021 As restated
Supervision and regulation enforcement fees	91,301,756	126,518,883
Processing fees	22,357,350	21,842,103
Franchising and license fees	3,687,098	3,751,550
Inspection fees	1,815,590	956,297
Fines and penalties	579,111	129,140
Accreditation fees	219,900	547,027
Permit fees	173,300	146,700
Clearance and certification fees	146,500	114,000
Registration fees	3,600	11,400
Other service income	9,358,629	10,064,436
	129,642,834	164,081,536

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

The Supervision and regulation enforcement fees account refers to collections based on the volume of tobacco acceptances of various trading centers and buyer firms, billed on per kilo basis.

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 2021 is restated as follows:

	Amount
Service income, December 31, 2021	164,312,872
Deduct adjustments on supervision and regulation enforcement fees	(231,336)
Service income, December 31, 2021, as restated	164,081,536

17.2 Business Income

	2022	2021
Interest income	4,120,190	3,974,900
Rent income	505,700	1,976,166
Tuition fee	440,000	32,390
Fines and penalties	10,200	9,900
Seminar fees	8,400	8,600
Other business income	-	56,850
	5,084,490	6,058,806
Sales revenue		
Fresh meat	224,073	1,223,625
Chicken	-	17,364
	224,073	1,240,989
	5,308,563	7,299,795

Interest income pertains to the interests earned from the loan assistance projects of the NTA, such as IFOIGAP and CBAP.

The sales revenue was generated through the operations of the NTA Kadiwa ni Ani at Kita. The NTA markets or trades fresh meat from the raw material produce of the farmers in line with the NTA's IFOIGAP.

18. PERSONNEL SERVICES

This account consists of the following:

	Note	2022	2021 As restated
Salaries and wages	18.1	131,641,024	107,837,383
Other compensation	18.2	37,535,569	32,116,916
Personnel benefit contributions	18.3	19,080,837	14,413,636
Other personnel benefits	18.4	47,693,919	43,974,081
		235,951,349	198,342,016

18.1 Salaries and wages

This represents salaries and wages of regular employees of the NTA amounting to P131.641 million in CY 2022 and P107.837 million in CY 2021.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Salaries and wages account in CY 2021 is restated as follows:

	Amount
Salaries and wages, December 31, 2021	107,827,217
Add: adjustments on salaries and wages	10,166
Salaries and wages, December 31, 2021, as restated	107,837,383

18.2 Other compensation

Breakdown of this account is as follows:

	2022	2021 As restated
Mid-year bonus	11,089,245	8,561,850
Year-end bonus	11,028,835	9,359,479
Personnel economic relief allowance	6,405,894	5,578,686
Representation allowance	2,343,186	2,212,735
Directors and committee members' fees	2,215,200	-
Clothing allowance	1,578,000	1,428,000
Transportation allowance	1,536,459	1,650,129
Cash gift	1,338,250	1,116,750
Longevity pay	500	-
Hazard pay	-	2,171,537
Honoraria	-	37,750
	37,535,569	32,116,916

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

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other compensation account for CY 2021 is restated as follows:

	Amount
Other compensation, December 31, 2021	31,593,834
Add adjustments on:	
Hazard pay	481,000
Honoraria	37,750
Year-end bonus	4,332
Other compensation, December 31, 2021, as restated	32,116,916

18.3 Personnel benefit contributions

This account consists of the following:

	2022	2021 As restated
Retirement and life insurance premiums	16,238,061	12,563,556
PhilHealth contributions	2,204,691	1,302,643
Pag-IBIG contributions	321,928	278,000
Employees compensation insurance premiums	316,157	269,437
	19,080,837	14,413,636

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Personnel benefit contributions account for CY 2021 is restated as follows:

	Amount
Personnel benefit contributions, December 31, 2021	14,412,782
Add: adjustments on retirement and life insurance premiums	854
Personal benefit contributions, December 31, 2021, as restated	14,413,636

18.4 Other personnel benefits

This account is broken down as follows:

	2022	2021
Terminal leave benefits	29,108,906	28,527,612
Performance-based bonus	5,809,648	6,085,077
Service recognition incentive	5,042,000	2,239,000
Educational assistance incentive bonus	2,966,531	3,904,419
Performance-based incentive	2,553,600	1,677,000
Productivity enhancement incentive	1,275,000	1,123,500
Anniversary bonus	612,000	-
Rice subsidy	166,234	292,973
Loyalty pay	160,000	124,500
	47,693,919	43,974,081

19. MAINTENANCE AND OTHER OPERATING EXPENSES

This account includes:

	Note	2022	2021 As restated
Financial subsidy	19.1	217,266,279	152,247,524
Professional and general services	19.2	64,726,326	72,570,424
Rent expenses	19.3	24,897,009	22,839,048
Supplies and materials	19.4	17,538,686	11,513,927
Utility expenses	19.5	7,984,321	5,312,701
Taxes, insurance premiums and other fees	19.6	7,421,367	2,720,076
Traveling expenses	19.7	6,820,989	4,492,423
Representation expenses	19.8	5,867,908	4,729,906
Training expenses	19.9	3,283,592	2,284,725
Repairs and maintenance	19.10	2,492,792	1,392,994
Communication expenses	19.11	2,110,798	3,071,541
Subscription and membership contribution expenses	19.12	101,385	1,588,844
Other maintenance and operating expenses	19.13	21,925,327	17,339,059
		382,436,779	302,103,192

19.1 Financial subsidy

This account amounting to P217.266 million for CY 2022 and P152.248 million for CY 2021 represents financial assistance provided to tobacco farmer-beneficiaries through IFOIGAP, CBAP, Tobacco Farm Mechanization Program (TFMP) and calamity assistance under Disaster Risk Reduction Management Program.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Financial subsidy account for CY 2021 is restated as follows:

	Amount
Financial subsidy, December 31, 2021	162,826,164
Add/(deduct): adjustments on:	
Financial subsidy - tobacco	473,523
Reclassification of accounts to Other maintenance and other operating expenses (MOOE)	(11,052,163)
Financial subsidy, December 31, 2021, as restated	152,247,524

19.2 Professional and general services

	2022	2021 As restated
Security services	15,026,395	14,143,497
Auditing services	11,467,182	12,553,028
Janitorial services	3,098,148	4,389,086
Consultancy services	392,000	882,000
Legal services	310,580	152,394
Other general services	34,129,165	36,674,405
Other professional services	302,856	3,776,014
	64,726,326	72,570,424

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Professional and general services account for CY 2021 is restated as follows:

	Amount
Professional and general services, December 31, 2021	72,572,509
Deduct: adjustments on other general services	(2,085)
Professional and general services, December 31, 2021, as restated	72,570,424

19.3 Rent expenses

The rent expenses incurred by the NTA amounted to P24.897 million in CY 2022 and P22.839 million in CY 2021. 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 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 years.

19.4 Supplies and materials

	2022	2021 As restated
Fuel, oil and lubricants expense	4,545,995	2,075,894
Office supplies expense	3,760,780	2,781,884
Semi-expendable expenses	3,462,918	2,496,561
Agricultural and marine supplies expense	2,173,885	331,529
Medical, dental and laboratory supplies expense	1,478,090	2,777,196
Accountable and non-accountable forms expense	329,741	83,140
Other supplies and materials expense	1,787,277	967,723
	17,538,686	11,513,927

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Supplies and materials account for CY 2021 is restated as follows:

	Amount
Supplies and materials, December 31, 2021	9,022,562
Add/(deduct) adjustments on:	
Semi-expendable expenses	2,496,561
Fuel, oil and lubricants expense	6,804
Other supplies and materials expenses	(12,000)
Supplies and materials, December 31, 2021, as restated	11,513,927

19.5 Utility Expenses

	2022	2021
Electricity expenses	7,468,075	4,616,360
Water expenses	516,246	676,837
Gas/heating expense	-	19,504
	7,984,321	5,312,701

19.6 Taxes, insurance premiums and other fees

	Note	2022	2021
Taxes, duties and licenses	31.1 (a)	4,839,324	138,724
Insurance expenses		2,247,922	2,045,023
Fidelity bond premiums		317,391	381,149
Documentary stamp tax expenses	31.1(a)	16,730	155,180
		7,421,367	2,720,076

19.7 Traveling expenses

The traveling expenses, pertaining to local travels, incurred by the NTA amounted to P6.821 million in CY 2022 and P4.492 million in CY 2021. No foreign travel expenses were incurred in both CYs 2022 and 2021.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Traveling expenses account for CY 2021 is restated as follows:

	Amount
Traveling expenses, December 31, 2021	4,547,025
Deduct: adjustments on local traveling expenses	(54,602)
Traveling expenses, December 31, 2021, as restated	4,492,423

19.8 Representation expenses

Representation expenses of P5.868 million for CY 2022 and P4.730 million in CY 2021 pertain to expenses incurred by the NTA for the purpose of representational or entertainment-related activities such as meetings, receptions, and other events.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Representation expenses account for CY 2021 is restated as follows:

	Amount
Representation expenses, December 31, 2021	4,736,556
Deduct: adjustments on representation expenses	(6,650)
Representation expenses, December 31, 2021, as restated	4,729,906

19.9 Training expenses

This represents training expenses of the employees of the NTA amounting to P3.284 million for CY 2022 and P2.285 million in CY 2021.

19.10 Repairs and maintenance

	2022	2021 As restated
Transportation equipment	1,959,851	937,367
Buildings and other structures	225,422	65,842
Machinery and equipment	232,006	316,335
Furniture and fixtures	46,198	65,999
Other PPE	29,315	7,451
	2,492,792	1,392,994

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Repairs and maintenance account for CY 2021 is restated as follows:

	Amount
Repairs and maintenance, December 31, 2021	1,381,419
Add: adjustments on repairs and maintenance – building and other structures	11,575
Repairs and maintenance, December 31, 2021, as restated	1,392,994

19.11 Communication expenses

	2022	2021
Telephone expenses	1,104,972	1,159,721
Internet subscription expenses	926,723	866,480
Postage and courier services	72,065	568,528
Cable, satellite, telegraph and radio expenses	7,038	476,812
	2,110,798	3,071,541

19.12 Subscription and membership contribution expenses

	2022	2021 As restated
Directors and committee members' fees	-	1,562,800
Subscription expenses	101,385	26,044
	101,385	1,588,844

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Subscription and membership contribution expenses account for CY 2021 is restated as follows:

	Amount
Subscription expenses, December 31, 2021	1,588,324
Add: adjustments on subscription expenses	520
Subscription expenses, December 31, 2021, as restated	1,588,844

19.13 Other maintenance and operating expenses

	2022	2021 As restated
Printing and binding expenses	1,398,737	808,428
Extraordinary and miscellaneous expenses	442,720	338,173
Awards/rewards and prizes	355,900	320,975
Transportation and delivery expenses	126,549	188,845
Advertising expenses	2,939	60,000
Others	19,598,482	15,622,638
	21,925,327	17,339,059

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, Vegetable Seed Distribution and Tobacco Contract Growing System under the IFOIGAP. It also includes expenses that cannot be classified to the specific expense accounts.

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Other MOOE account for CY 2021 is restated as follows:

	Amount
Other MOOE, December 31, 2021	6,286,896
Add (deduct) adjustments on reclassification of accounts from financial subsidy:	
Other MOOE - Tobacco Farmers' Dependents Scholarship Program	(1,067,200)
Other MOOE - Improved Tobacco Seedlings	12,119,363
Other MOOE, December 31, 2021, as restated	17,339,059

20. NON-CASH EXPENSES

Breakdown of this account is as follows:

	Note	2022	2021 As restated
Impairment loss	20.1	121,178,648	55,540,247
Depreciation	20.2	38,556,806	31,905,102
		159,735,454	87,445,349

20.1 Impairment loss

Breakdown of this account is as follows:

	Note	2022	2021
Loans and receivables	6.4	106,716,734	43,107,208
Other investments	8	13,000,000	-
Inter-agency receivables	6.4	693,525	-
Other non-current assets	11.2	768,389	12,432,611
PPE		-	428
		121,178,648	55,540,247

20.2 Depreciation

	Note	2022	2021 As restated
Land improvements, building and other structures		18,145,820	12,503,618
Various equipment		16,443,965	14,710,167
Furniture and fixtures, books, motor vehicles and other PPE		3,967,021	4,691,317
	10	38,556,806	31,905,102

In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the Depreciation expense account for CY 2021 is restated as follows:

	Amount
Depreciation expense, December 31, 2021	32,207,001
Deduct adjustments on depreciation on:	
Land improvements, building and other structures	(300,063)
Various equipment	(1,234)
Furniture and fixtures, library books, motor vehicle and other PPE	(602)
Depreciation expense, December 31, 2021, as restated	31,905,102

21. DIRECT COSTS

This account consists of the following:

	2022	2021
Fresh meat	220,185	1,295,905
Chicken	-	13,098
	220,185	1,309,003

22. FINANCIAL EXPENSES

This account consists of the following:

	2022	2021
Bank charges	4,663	21,873
Other financial charges	-	23,000
	4,663	44,873

23. OTHER NON-OPERATING INCOME

This account consists of the following:

	2022	2021
Interest income	120,834	179,693
Grants and donations in kind	-	142,100
Miscellaneous income	1,799,683	1,155,668
	1,920,517	1,477,461

The interest income account pertains to interest earned on deposits made to authorized government depository banks.

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

24. GAINS/LOSSES

24.1 Gains

This account pertains to gain on sale of PPE in the amount of P0.610 million in CY 2022 and P14,898 in CY 2021.

24.2 Losses

This account consists of the following:

	2022	2021
Loss of assets	1,543,747	18,384,980
Loss on sale of assets	155,605	3,336,517
	1,699,352	21,721,497

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

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

25. SUBSIDY INCOME

This account consists of the following:

	Note	2022	2021
Subsidy income from national government	25.1	555,494,000	422,135,000
Assistance from the DA	25.2	50,026,100	-
		605,520,100	422,135,000

25.1 Subsidy income from national government

This account represents regular subsidy received from the national government funded through the special account in the general fund or Tobacco Fund. The NTA has P92.305 billion accumulated share from excise tax of locally manufactured virginia type cigarette and tariff from imported leaf virginia tobacco as of December 31, 2022, which is in the custody of Department of Budget and Management (DBM) through the Bureau of the Treasury (BTr). Out of this fund, P555.494 million was released by the DBM to the NTA for operations and programs/projects implementation for Fiscal Year (FY) 2022.

The NTA charged in the subsidy received from NG in FY 2022 the total amount of P202.150 million which represents financial assistance provided to tobacco farmer-beneficiaries in CY 2022 through IFOIGAP, CBAP, TFMP, and calamity assistance under Disaster Risk Reduction Management (DRRM) Program.

25.2 Assistance from the DA

The NTA received the amount of P50.026 million, sourced from the Quick Response Fund 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.

The NTA charged in the subsidy the amount of P15.117 million for CY 2022 which represents assistance in the form of farm inputs provided to tobacco farmer-beneficiaries.

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

	Note	2022	2021 As restated
Deficit for the period		(37,045,318)	(15,957,240)
Non-cash (income)/expenses:			
Depreciation	20.2	38,556,806	31,905,102
Impairment loss	20.1	121,178,648	55,540,247
Gains	24.1	(610,450)	(14,898)
Losses	24.2	1,699,352	21,721,497
Interest income	17.2	(4,120,190)	(3,974,900)
Grants and donation in kind	23	-	(142,100)
(Increase)/decrease in asset accounts:			
Receivables		(21,721,017)	(116,791,852)
Inventories		(26,927,820)	(1,977,890)
Other current assets		(7,704,732)	2,104,466
Increase/(decrease) in liability accounts:			
Financial liabilities		(57,846,490)	(85,793,992)
Inter-agency payables		2,172,292	808,048
Intra-agency payables		(3,356,813)	2,704,602
Provisions		7,564,269	(3,718,901)
Other current liabilities		1,188,039	5,966,009
Other adjustments		24,880,557	12,204,562
		37,907,133	(95,417,240)

27. RELATED PARTY TRANSACTIONS

27.1 Related Party Transactions

For CYs 2022 and 2021, the NTA does not have dealings with related parties involving transfer of resources and obligations.

27.2 Key Management Personnel

The key management personnel of the NTA are the Administrator/CEO, two 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 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.

27.3 Key Management Personnel Transactions

The seven 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 fulltime equivalent basis include the following:

	Aggregate remuneration
Salaries and wages	2,101,063
Other compensation	340,693
Other personnel benefits	3,000
	2,444,756

28. GOVERNMENT EQUITY

This account with balances amounting to P411.507 million and P411.330 million as at December 31, 2022 and 2021, respectively, includes property received through donation/grant from government agencies and non-government organizations.

28.1 Capital Management

The primary objective of the NTA's capital management is to ensure that resources of the agency is 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 co-mingled with the regular accounts since the releases have a specific purpose.

The NTA is not subject to externally-imposed capital requirements.

29. ACCUMULATED SURPLUS/(DEFICIT)

	Note	Amount
Accumulated surplus/(deficit), January 1, 2021, as restated		1,082,998,173
Adjustments due to prior period errors for CY 2021	29.1	12,204,562
Deficit for CY 2021		(12,580,055)
Add/(deduct) restatements on:		
Service income		(231,336)
Personnel services		(534,102)
Maintenance and other operating expenses		(2,925,646)
Non-cash expenses		313,899
Total restatements		(3,377,185)
Deficit for CY 2021, as restated		(15,957,240)
Accumulated surplus/(deficit), December 31, 2021, as restated		1,079,245,495
Adjustments due to prior period errors for CY 2022	29.1	25,776,307
Deficit for CY 2022		(37,045,318)
Accumulated surplus/(deficit), December 31, 2022		1,067,976,484

29.1 Adjustments Due to Prior Period Errors

	Note	2022	2021
Impairment of receivables		21,056,932	-
Impairment of other non-current assets	11.2	(394,221)	-
Depreciation		5,331,269	80,776
Personnel services		1,503,463	9,631,620
Gains		895,750	-
Disallowances		627,603	151,000
Accrued leave benefits		53,301	2,135,925
Accountable forms inventory		9,969	-
Miscellaneous income		2,801	-
MOOE		(3,310,560)	9,443
Raw materials inventory		-	195,798
		25,776,307	12,204,562

30. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The original budget reflected in the SCBAA for December 31, 2021 is the proposed Corporate Operating Budget (COB) for the year 2022 and is submitted to the DBM for review/evaluation while the final budget is the amount approved by the DBM on August 30, 2022. 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.

- The changes between the original and final budget are brought about by the overprovision in the proposed MOOE items amounting to P5.143 million detailed as follows:

	Amount
Loss of assets	1,100,000
Other MOOE - Gulayan at Manukan	1,614,000
Other MOOE - Seedling Production	853,000
Other MOOE - Synchronized Tree Planting	799,000
Other MOOE - Vegetable Seeds Distribution	777,000
	5,143,000

31. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

31.1 Revenue Regulations No. 15-2010

Revenue Regulations (RR) No. 21-2002 prescribing additional and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns 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

	Amount
Real property tax	4,715,386
Mayor's permit fees/business permits and other licenses	98,898
Tax on interest income	22,040
Documentary stamp taxes	16,730
BIR annual registration fees	3,000
	4,856,054

b. Withholding taxes for CY 2022

	Withheld	Remitted	Balance
Tax on compensation	16,879,176	15,236,552	1,642,624
Expanded withholding tax	5,441,514	3,872,497	1,569,017
Withholding tax on VAT	4,961,073	4,502,107	458,966
Withholding tax on government money payments	64,830	45,514	19,316
	27,346,593	23,656,670	3,689,923

The balance of withholding taxes as at December 31, 2022 in the total amount of P3.690 million was remitted to the BIR on various dates in January 2023.

c. Tax case

The NTA has no tax case as of December 31, 2022.

31.2 RR No. 19-2011

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 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 Income Tax Return (ITR).

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

The following are the schedules prescribed under existing revenue issuances applicable to the NTA as of December 31, 2022.

a. Service and business income

	Per AFS	Per ITR
Service income	129,642,834	129,642,834
Business income	5,308,563	5,308,563
	134,951,397	134,951,397

b. Assistance and subsidy

	Per AFS	Per ITR
Subsidy income from national government	555,494,000	-
Assistance from national government agency	50,026,100	-
	605,520,100	-

c. Non-operating and taxable other income

	Per AFS	Per ITR
Other non-operating income	1,920,517	1,799,683
Gain on sale of properties	610,450	610,450
	2,530,967	2,410,133

d. Allowable deductions

	Per AFS	Per ITR
Personnel services	235,951,349	233,736,149
Maintenance and other operating expenses	382,436,779	384,651,979
Non-cash expenses	159,735,454	159,735,454
Direct costs	220,185	220,185
Financial expenses	4,663	4,663
Losses	1,699,352	1,699,352
	780,047,782	780,047,782

32. COMPLIANCE WITH GSIS LAW, RA No. 8291

The total employees' and government's shares remitted to GSIS for CY 2022 were as follows:

	Withheld	Remitted	Balance
Life and retirement premiums, employees' share and loans	23,619,855	21,073,383	2,546,472
Government share	-	15,669,670	-
	23,619,855	36,743,053	2,546,472

33. 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 are 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 CCC 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 afore-mentioned SC decisions. The computation of the entitlement is estimated to amount to P200 million or approximately 18.73 per cent of the accumulated surplus of P1.068 billion as at December 31, 2022.

The NTA is also a party to various legal proceedings that arise in the ordinary course of operations. The subject of litigation for seven cases involves the real property located 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 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 *dacion en pago* 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.
 - 1.1. This is an update of the previous year's audit observation since the NTA Management has not implemented the recommendation to recognize the interest on the Notes payable amounting to P87.615 million as of December 31, 2021, pending approval by the PDIC of the request of NTA for the restructuring of loan and lowering of interest and condonation of penalty charges.
 - 1.2. The following are the pertinent provisions of IPSASs 1 and 3 as well as COA Circular No. 2020-002 dated January 28, 2020, relative to this audit observation:
 - a. Paragraph 27 of IPSAS 1 – *Presentation of Financial Statements*, discusses the requirement of faithful representation, to wit:

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 definition and recognition criteria for assets, liabilities, revenues and expenses set out in IPSASs.
 - b. Paragraph 7 of IPSAS 1 defines accrual basis as a basis of accounting wherein 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.

- c. Paragraph 16 of IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, requires an entity to select and apply its accounting policies consistently for similar transactions, other events, and conditions, unless an IPSAS specifically requires or permits categorization of items for which different policies may be appropriate. If an IPSAS requires or permits such categorization, an appropriate accounting policy shall be selected and applied consistently to each category.
- d. Paragraphs 5.14 and 5.17 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (CFGPFRPSE) defines liability as present obligation of the entity for an outflow of resources that results from a past event. The present obligation should arise as a result of a past transaction or other event and requires an outflow of resources from the entity.
- e. Annex C of COA Circular No. 2020-002 dated January 28, 2020 provides for the description of the following accounts:

<i>Account Title</i>	<i>Interest Payable</i>
<i>Account Code</i>	<i>20101050</i>
<i>Normal Balance</i>	<i>Credit</i>
<i>Description</i>	<i>This account is used to recognize accrual of interest on loans/bonds or other indebtedness, whether short-term or long-term. Debit this account for payment of the interest.</i>

<i>Account Title</i>	<i>Accumulated Surplus/(Deficit)</i>
<i>Account Code</i>	<i>30101010</i>
<i>Normal Balance</i>	<i>Credit (Debit)</i>
<i>Description</i>	<i>This account represents the cumulative results of normal and continuous operations of a non-Government Business Enterprise (non-GBE) including prior period effects of changes in accounting policy and errors, and other capital adjustments. This account is used to close the Revenue/Income and Expense Summary account.</i>

<i>Account Title</i>	<i>Interest Expense</i>
<i>Account Code</i>	<i>50301020</i>
<i>Normal Balance</i>	<i>Debit</i>
<i>Description</i>	<i>This account is debited to recognize interest charges paid/incurred for the use of borrowed money. This also includes discounts on treasury bonds; premiums on bond investments; coupon payments/interests on domestic and foreign bonds issued by the government entities. This account is credited, at year end, to close to the Revenue/Income and Expense Summary account, and/or effect adjustments.</i>

- 1.3. The NTA uses the accrual basis of accounting in the preparation of its financial statements as disclosed in the summary of significant accounting policies, specifically Note 3.1 to Financial Statements.

- 1.4. As a backgrounder and stated in the previous year's Annual Audit Report (AAR), the NTA Board of Directors (BOD), through Board Resolution No. 477-96 dated June 17, 1996, approved on June 21, 1996, the Credit Agreement with the PNB through a one-year OCL effective May 9, 1996 in an amount not exceeding P100 million. The OCL was used to finance the purchase and exportation of tobacco leaf under the NTA's Aromatic Tobacco Trading and Export Trading Program (ATTETP) which would primarily benefit the tobacco traders whose purchase of tobacco produce was guaranteed under the said Program. Several tobacco traders availed of the trading loans from the OCL and disbursements from the fund were approved pursuant to the ATTETP guidelines. The OCL was renewed on May 9, 1997 and took effect for another year starting July 16, 1997 for the same amount.
- 1.5. On July 30, 2002, the representatives of the PNB and the PDIC entered into a *dacion* Agreement, which included the loan availed of by the NTA through the OCL. Under the Agreement, the PNB ceded, transferred and conveyed thru *dacion en pago* the loan of the NTA in a manner absolute and irrevocable in favor of the PDIC, its successors and assigns, and that the PDIC accepted and acquired the same for P78.729 million, consisting of principal and interest amounting to P52 million and P26.729 million, respectively, as partial settlement of PNB's obligation.
- 1.6. Likewise, the PNB ceded, transferred and conveyed to the PDIC all existing collaterals, in the form of mortgages mentioned in the contracts, agreements, collateral documents and papers evidencing the loan. In return, the NTA agreed and gave its consent to the transfer by the PNB of the loan accounts and the collateral in favor of the PDIC. The PNB further agreed that it shall cause the registration of the transfer of the mortgages from the PNB to the PDIC upon the latter's written notice.
- 1.7. Among the properties included as collateral of the NTA to the outstanding loan with the PNB is the NTA Housing Project known as the Golden Leaf Village in Brgy. San Isidro, Rodriguez, Rizal with a land area of 83,513 square meters intended for its employees, which was initiated and approved by the NTA BOD under Resolution No. 220-94 dated November 4, 1994.
- 1.8. It was noted that the PDIC Board approved the restructuring of the loan and the lowering of interest and penalty charges on November 22, 2004, subject to a repayment period of eight years with four years grace period. However, the repayment on the fifth year up to July 2010 was not complied with by the NTA.
- 1.9. On April 24, 2013, the NTA requested for another restructuring which was approved on July 17, 2013, but it did not materialize because the NTA was not able to settle the upfront payment of P7.872 million required by the PDIC and the monthly amortization of P4.200 million on the proposed restructured loan as of August 1, 2013 in the total amount of P108.315 million.

- 1.10. The NTA Management subsequently requested for the restructuring of the loan on: (a) April 24, 2013 which was approved by PDIC on July 17, 2013; and (b) March 27, 2019, which was repeated twice by Management, specifically on June 20, 2019 and August 7, 2019. The NTA further manifested to surrender to the PDIC the NTA Housing Project as settlement of the principal loan including interest and penalty charges thereon.
- 1.11. As disclosed in Note 12 to Financial Statements, the PDIC in a letter dated February 3, 2022 informed the NTA Management that they are evaluating the proposal of loan restructuring and the NTA will be notified accordingly of the result of the counter proposal.
- 1.12. On February 2, 2023, the PDIC again billed the NTA, through a Statement of Account (SOA), for the unpaid interest of P90.849 million and penalty charges of P203.672 million, from October 1, 2001 to December 31, 2022. Despite the previous year's audit recommendation that the NTA record the interest, however, the same was not recognized in the books of accounts. Consequently, the Interest payable and Interest expense accounts were understated by P90.849 million and P3.234 million, respectively, while the Accumulated surplus/(deficit) account was overstated by P87.615 million, breakdown is shown in Table 1.

**Table 1 – Effect of Unrecorded Interest on Notes Payable with the PDIC
As of December 31, 2022**

Account Title	Amount	Period Covered	Effect in the books
Interest payable	P 90,849,087	October 1, 2001 to December 31, 2021	Understated
Interest expense	3,233,920	January 1, 2022 to December 31, 2022	Understated
Accumulated surplus/(deficit)	87,615,167	October 1, 2001 to December 31, 2021	Overstated

- 1.13. Inquiry with the Chief Accountant disclosed that the interest and penalty charges were not recorded in the books of the NTA, pending the result of their request for the renegotiation on lowering of the interest rate and condonation of penalties.
- 1.14. The Audit Team would like to emphasize that the non-recording of interest on loan with the PDIC is not in accord with NTA's accounting policy on the accrual basis of accounting and the provisions of Paragraph 7 of IPSAS 1 and Paragraph 16 of IPSAS 3. The outstanding balance of the Interest payable should be recognized in the books as the fact remains that the NTA will still pay interest to the PDIC, in addition to the principal amount, even if its request for restructuring of the loan and lowering of interest rate would be approved by the PDIC.

1.15. **We reiterated our previous year's recommendations that Management:**

- 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**
- b. **Coordinate closely with the PDIC on the approval of NTA's request for loan restructuring, lowering of interest, and condonation of penalties.**

1.16. Management committed that the Accounting Division will recognize the Interest payable to the PDIC amounting to P90.849 million pending approval of NTA's request for the restructuring of loan and lowering of interest and condonation of penalties, consistent with the accrual basis of accounting.

1.17. As a rejoinder, the Audit Team appreciated Management's commitment to recognize in the books of accounts the interest on the loan with the PDIC, which will be monitored/validated in the calendar year (CY) 2023 audit.

2. **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.**

2.1. 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:

Xxxx

(c) The stage of completion of the transaction at the reporting date can be measured reliably; and xxxx

- 2.2. The definition of accrual basis of accounting under Paragraph 7 of IPSAS 1, is already stated in Paragraph 1.2.b hereof.
- 2.3. Under Rule 1(h), Regulation I of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco, dated January 12, 2018, the Competitive Enhancement Fees is defined as fees paid by the Cigar/Cigarette Manufacturers for actual purchases of locally grown tobacco to support the production of quality Philippine tobacco.
- 2.4. The billing of Competitive Enhancement Fees commences from the reports submitted by the NTA La Union Provincial Branch Office (PBO), the lone PBO of the NTA that prepares the report since it is the nearest PBO where the Redrying Plants are located and deliveries of tobacco products originated. The said reports show the deliveries of tobacco products made by the Redrying Plants to the Cigar/Cigarette Manufacturers, which will be summarized by the Regulation Department of the NTA Central Office (CO). Thereafter, the NTA Finance Department Manager shall prepare Notices of Billing of Competitive Enhancement Fees within 24 hours upon receipt of notice from the Regulation Department of the actual delivery to the Cigar/Cigarette Manufacturers and inspection of tobacco, pursuant to Rule 3, Regulation XII of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco.
- 2.5. Based on the Statement of Financial Performance for the year ended December 31, 2022, the Service and business income amounted to P134.951 million. Of the said amount, P91.302 million represents Supervision and regulation enforcement fees, as disclosed in Note 17.1 to Financial Statements, which included Competitive Enhancement Fees in the total amount of P1.874 million, breakdown shown in Table 2.

**Table 2 – Breakdown of the Competitive Enhancement Fees
For the year ended December 31, 2022**

Cigar/Cigarette Manufacturer	Volume of Tobacco Purchases		Amount
	(in kilograms (kgs.))	Rate per kg.	
PMFTC, Inc.	1,467,420	P 1.20	P 1,760,904
JTI Asia	94,050	1.20	112,860
	1,561,470		P 1,873,764

- 2.6. Verification of the Summary of Tobacco Received from Local Suppliers prepared and submitted to the NTA CO Regulation Department by the Cigar/Cigarette Manufacturers, which showed the actual purchases made by the Cigar/Cigarette Manufacturers from the Redrying Plants disclosed that 9.275 million kgs. of Virginia and Burley varieties of tobacco strips were purchased by the former from the latter in the second semester of CY 2022, as summarized in Table 3.

Table 3 – Volume of Tobacco Strips Purchased by Cigar/Cigarette Manufacturers from Redrying Plants and Computation of the Competitive Enhancement Fees Earned For Second Semester of CY 2022

Cigar/Cigarette Manufacturer	Volume (in kgs.)
PMFTC, Inc.	3,466,000
Virginia	1,923,260
Burley	5,389,260
JTI Asia	
Virginia	232,500
Burley	16,740
	249,240
JTI Philippines	
Virginia	1,978,980
Burley	769,530
	2,748,510
La Suerte	887,540
Virginia	887,540
	887,540
Total volume of tobacco strips purchased by the Cigar/Cigarette Manufacturers	9,274,550
Multiplied by Competitive Enhancement Fee rate for pack weight	P 1.20
Equivalent Competitive Enhancement Fees Earned in 2nd Semester CY 2022	P 11,129,460

- 2.7. However, verification of the accounting records revealed that the Competitive Enhancement Fees earned by the NTA from the purchases made by the Cigar/Cigarette Manufacturers from July to December 2022 (Second Semester) equivalent to P11.129 million were not recorded in the books of accounts in CY 2022. The non-recording thereof could be attributed to the delayed issuance of the Notices of Billing by the Finance Department. It was noted that the Finance Department issued/sent the Notices of Billing to the Cigar/Cigarette Manufacturers for the collection of Competitive Enhancement Fees for the second semester of CY 2022 during the first quarter of the subsequent year (CY 2023). Accordingly, the Competitive Enhancement Fees will be recorded only in the books of accounts by the Accounting Division once the Notices of Billing are furnished by the Finance Department.
- 2.8. The delayed issuance of the Notices of Billing by the Finance Department is contrary to 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, which states, viz.:

The Central/[Branch Office] BO where the accepting [Cigar/Cigarette Manufacturer] CM is located shall be responsible for the billing and collection of the [Competitive Enhancement Fees] CEF. The NTA Finance Manager, shall prepare a Notice of Billing of CEF [Competitive Enhancement Fees] within twenty-four (24) hours upon receipt of notice of the actual delivery and inspection of tobacco to [Cigar/Cigarette Manufacturer] CM by the [Regulation Department] RD.

- 2.9. The Chief Accountant informed the Audit Team that the various work assignments of the Finance Department impede the timely preparation of the Notices of Billing. Nonetheless, the Cigar/Cigarette Manufacturers are notified in advance, through email by the Regulation Department, on the Competitive Enhancement Fees due prior to transmittal of the Notices of Billing.
- 2.10. The Audit Team would like to emphasize, however, that 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. The late issuance of the Notices of Billings by the Finance Department for the Competitive Enhancement Fees due from the Cigar/Cigarette Manufacturers in the second semester of CY 2022 in the total amount of P11.129 million resulted 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.

Other Observation

- 2.11. The reports received by the Regulation Department, which originated from the Cigar/Cigarette Manufacturers were used in the computation of Competitive Enhancement Fees by the NTA. However, said reports submitted by the Cigar/Cigarette Manufacturers to the Regulation Department are not the reports mentioned in Rule 2, Regulation XII of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco.
- 2.12. It is noteworthy to mention that the basis of the NTA in the computation of Competitive Enhancement Fees is the same report required by the Bureau of Internal Revenue (BIR) in the computation and payment of excise tax.
- 2.13. Inquiry with the Regulation Department relative to the change in the basis of the computation of the Competitive Enhancement Fees revealed that more tobacco deliveries are reported by the Cigar/Cigarette Manufacturers than the deliveries reflected in the reports summarized by NTA La Union PBO. As such, the NTA earned more income from Competitive Enhancement Fees from the reports of the Cigar/Cigarette Manufacturers, thus, more advantageous to the agency.
- 2.14. **We recommended that Management:**
- a. **Instruct the Head of the Accounting Division to: (i) strictly observe the accrual basis of accounting, and (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;**

- b. **Require the Finance Department to: (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 (ii) furnish immediately the Accounting Division with copies of the Notices of Billing, as basis in recording of income from Competitive Enhancement Fees, 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.**

2.15. Management gave the following comments:

- a. The Finance Department will coordinate with the Regulation Department on the submission of the reports pertaining to tobacco deliveries by the Redrying Plants to the Cigar/Cigarette Manufacturers as basis of the former for the issuance of Notices of Billing; and
- b. The Regulation Department will recommend revision of the 2018 Revised Rules and Regulations Governing the Trading and Redrying of Locally Grown Leaf Tobacco, as to the source document of tobacco deliveries in the computation of the Competitive Enhancement Fees.

2.16. As a rejoinder, the Audit Team acknowledged the commitment of Management to address the audit observations on Competitive Enhancement Fees. Their full compliance with the audit recommendations will be monitored in the CY 2023 audit.

- 3. **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 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.

- 3.1. The balance of Other current liabilities-Other payables account as at December 31, 2022 amounted to P36.719 million, as disclosed in Note 15 to Financial Statements. This account includes, among others: (a) deposits of importers, exporters, manufacturers and transhippers on regulatory transactions like licensing, monitoring, commodity inspections and processing of importation, exportation, and local trading requirements set by the NTA which were recorded under the Import/Export sub-account; and (b) fees collected from private fertilizer, pesticide and suckercide companies for protocol research conducted by the NTA, thru the Farm Technology and Services Department (FTSD) as well as payment of honoraria and other protocol research related-expenses which were recorded under the Protocol research sub-account.
- 3.2. However, review of the accounting and other records/reports disclosed that the Other current liabilities - Other payables account was overstated by P14.991 million, computation presented in Table 4, with discussions in the succeeding paragraphs.

Table 4 – Summary of Misstatements in the Other current liabilities – Other payables account

Nature of Misstatements	Reference	Accounts Affected – Understatement/(Overstatement)				Accumulated surplus/(deficit) (CY 2021 and PYs)
		Other payables	Deferred credits- other unearned revenue/ income	Service income - research fees (CY 2022)	Expenses (CY 2022)	
Erroneous recording of regulatory fees received in advance, receipt of protocol research fees, payment of honoraria and other protocol research related-expenses	Table 4.1	P (10,497,145)	P 10,886,491	P 124,694	P 306,702	P (207,338)
Non-recognition of realized portion of protocol research and regulatory fees	Table 4.2	(4,493,508)	-	2,668,209	-	1,825,299
		P (14,990,653)	P 10,886,491	P 2,792,903	P 306,702	P 1,617,961

PY – Prior Years

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

- 3.3. Annex C of COA Circular No. 2020-002 dated January 28, 2020, prescribing the Adoption of the Updated RCA for Government Corporations (2019) provides for the description of the following accounts:

Account Title Other Payables
Account Code 29999990
Normal Balance Credit
Description This account is credited to recognize other liabilities not falling under any of the specific payable accounts. This account is debited for settlement of liabilities, and/or adjustments.

Account Title Other Unearned Revenue/Income
Account Code 20502990
Normal Balance Credit
Description This account is credited to recognize other income/revenue received in advance not falling under any of the specific unearned revenue/income accounts. This account is debited when revenue is earned, and/or for adjustments.

- 3.4. Analysis of the transactions recognized under Other current liabilities - Other payables account revealed that deposits made in advance by tobacco traders on regulatory transactions and receipt of payment for protocol research were credited under this account. On the other hand, application of the deposits made in advance to regulatory fees, payment of honoraria and other protocol research related-expenses as well as recognition of income from regulatory fees and completed protocol research are debited under Other payables account. However, these transactions do not fall within the description/definition of Other payables account, as stated in the immediately preceding paragraph.
- 3.5. In view of the erroneous recording of transactions under the Other payables account, the said account was overstated by P10,497 million and the Accumulated surplus/(deficit) account 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, as summarized in Table 4.1.

Table 4.1 – Summary of Misstatements Related to Other payables account

Nature of Transactions	Accounts Affected – Understatement/(Overstatement)					Accumulated surplus/(deficit) (CY 2021 and PYs)
	Other payables	Deferred credits- other unearned revenue/ income	Service income research fees (CY 2022)	Expenses (CY 2022)		
Regulatory fees received in advance from tobacco traders	P (7,058,008)	P 7,058,008	P -	-	P -	P -
Receipt of initial collection of protocol research fee	(3,828,483)	3,828,483	-	-	-	-
Receipt of final collection of protocol research fee	(278,153)	-	124,694	-	-	153,459
Payment of honoraria	546,735	-	-	251,000	-	(295,735)
Payment of research-related expenses	120,764	-	-	55,702	-	(65,062)
Net understatement/(overstatement)	P (10,497,145)	P 10,886,491	P 124,694	P 306,702		P (207,338)

PYs – Prior Years

Non-recognition of realized portion of protocol research and regulatory fees

3.6. 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: xxx

(c) The stage of completion of the transaction at the reporting date can be measured reliably; and xxxx

3.7. Further analysis of the transactions recorded under the Other current liabilities-Other payables account revealed the inclusion of deposits of tobacco traders in the total amount of P1,858,132 that were already applied in CY 2022 and protocol research conducted for private companies in the total amount of P2,635,376 that were already completed in CY 2022 by the FTSD. However, these transactions were not recorded in the appropriate accounts, specifically under Service income sub-accounts, which is not in accordance with the revenue recognition principle under Paragraph 19(c) of IPSAS 9. The summary of misstatements is presented in Table 4.2.

Table 4.2 – Summary of Misstatements Due to Realized Regulatory and Protocol Research Fees Still Recorded in the Other current liabilities-Other payables account

Tobacco Company	Service income	Accumulated surplus/(deficit)	Total
Earned regulatory fees:			
Ancor	P 1,145,866	P -	P 1,145,866
Phil Bobbin	524,136	-	524,136
JT International	151,310	-	151,310
Universal Leaf	31,361	-	31,361
Sureste	3,732	-	3,732
Seng Hong Subic	1,727	-	1,727
	1,858,132	-	1,858,132
Completed protocol research:			
Enviro	57,741	519,671	577,412
VVZ	410,217	13,022	423,239
Top Agro	-	366,717	366,717
Hanearl Science	324,374	-	324,374
Inavet Nutrition	68	333,655	333,723
Tierra Agri	17,677	159,096	176,773
AGSPEC	-	119,459	119,459
Ejas	-	117,656	117,656
ALDIZ	-	77,617	77,617
Arun P	-	63,000	63,000
MJ	-	30,395	30,395
AHCIL	-	25,011	25,011
	810,077	1,825,299	2,635,376
	P 2,668,209	P 1,825,299	P 4,493,508

- 3.8. As shown in Table 4.2, the Other current liabilities-Other payables account was overstated by P4,493,508, while the Service income and Accumulated surplus/(deficit) accounts were understated by P2,668,209 and P1,825,299, respectively, as at and for the year ended December 31, 2022.
- 3.9. According to the Chief Accountant, in view of the voluminous transactions of deposits made by tobacco traders and protocol research conducted by the FTSD which were not regularly monitored by the personnel of the Accounting Division due to various workload assignment, the realized portion of regulatory fees and completed protocol research were not recognized as at year-end.
- 3.10. **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.**
- 3.11. Management commented that they will recognize the necessary correcting entries/adjustments to reflect the correct balances of the accounts affected.
- 3.12. As a rejoinder, the Audit Team appreciated Management's commitment to comply with the audit recommendation. Moving forward, **we further recommended that Management instruct the Accounting Division to regularly monitor the transactions on the deposits of regulation fees 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.**

B. NON-FINANCIAL

- 4. 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:**
- 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 authorized signatories, contrary to Section V.3 of the Implementing Guidelines (IG) of ECA;**
 - 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;**
 - 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**
 - 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 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.**
- 4.1. The NTA Governing Board through its Board Resolution No. 2167-2022 dated July 28, 2022 approved the release of the ECA for tobacco farmers who were affected by natural calamities such as typhoons, floods, freak rains, and earthquake. The General Appropriations Act (GAA) for Fiscal Year (FY) 2022 approved the P50.000 million budget for ECA and any excess amount was covered by the NTA's Risk Mitigation/Management Fund.**
- 4.2. Audit of the ECA granted by the NTA Abra, Candon, Cagayan and Vigan PBOs to the tobacco farmers revealed several deficiencies in the implementation of the Program as discussed in the succeeding paragraphs.**

In NTA Abra, Candon, and Vigan PBOs, 13,623 tobacco farmers were granted ECA in the total amount of P20.435 million despite the lists of beneficiaries were not approved by authorized signatories

4.3. Section V.3 of the IG of ECA provides that the verified list of beneficiaries shall be endorsed by the Deputy Administrator for Operations (DAOP) to the Finance Department for availability of funds and submitted to the Office of the Administrator for approval.

4.4. In NTA Abra, Candon, and Vigan PBOs, audit of the liquidation reports showed that ECA in the aggregate amount of P20.434 million were granted in CY 2022 to 13,623 tobacco farmers, as summarized in Table 5.

Table 5 – ECA Distributed to Tobacco Farmers in NTA Abra, Candon, and Vigan PBOs

Area/Location	No. of Recipients	Date of Distribution	Total ECA Distributed
Abra			
Dolores, Lagangilang, San Juan, Tayum, Bangued & Baay-Licuan	507	August 10, 2022	P 760,500
Tubo, Abra		August 16, 2022	
Poblacion, Villaciosa, San Quintin & Pidigan, San Isidro, Tamac, Villaviciosa	587	August 23-26, 2022	880,500
Southern Pilar	560	September 2, 2022	840,000
Northern Pilar	491	September 23, 2022	736,500
	2,145		3,217,500
Candon			
Sta. Cruz	196	August 11, 2022	294,000
Galimuyod	431	August 12, 2022	646,500
Banayoyo, Candon, Sta. Lucia	788	August 16-17, 2022	1,182,000
Quirino, Cervantes, Candon City	782	August 18, 2022	1,173,000
San Emilio, Lididla, Sta Cruz, Candon City	735	August 19, 2022	1,102,500
Salcedo, San Esteban	587	September 1-2, 2022	880,500
Sigay, G. Del Pilar, Sta. Lucia	354	September 2, 2022	531,000
Narvacan	715	September 5, 2022	1,072,500
Burgos	558	September 6, 2022	837,000
Sugpon, Alilem, Tagudin, Suyo	333	September 7-8, 2022	499,500
San Emilio, Sta. Maria	793	September 9, 2022	1,189,500
Nagbukel, Santiago	770	September 12-13, 2022	1,155,000
Salcedo, San Esteban, San Emilio, Suyo, Burgos, Alilem, Sta. Cruz, Santiago	133	September 16, 2022	199,500
Sta. Lucia, Gregorio Del Pilar, Tagudin, Sigay, Sta. Maria, Candon City, Narvacan, Nagbukel			
	7,175		10,762,500
Vigan			
San Juan	742	September 10-11, 2022	1,113,000
		September 15-16, 2022	
Sto. Domingo, San Ildefonso, San Vicente, Vigan City, Magsingal	1,132	August 24-26, 2022	1,698,000
		August 30-31, 2022	
		September 1-2, 2022	
Cabugao	1,144	September 7-9, 2002	1,716,000
Sinait	1,122	September 13-15, 2022	1,683,000
Sinait, Cabugao, San Juan & Magsingal	163	October 14, 2022	244,500
	4,303		6,454,500
	13,623		P 20,434,500

4.5. Verification showed that the ECA in the total amount of P10.762 million were distributed to 7,175 tobacco farmers despite that the lists of beneficiaries in NTA Candon PBO were not approved by the NTA Administrator; while the lists of beneficiaries in NTA Abra and Vigan PBOs of 2,145 and 4,303 beneficiaries, respectively, lacked the endorsement by the DAOP, certification as to availability of funds by the Finance Manager, and the approval by the NTA Administrator, contrary to Section V.3 of the IG of ECA, which provides, that:

3. *The verified list shall be endorsed by the DAOP to the Finance Department for funds availability, and to the Office of the Administrator (OAD) for approval;*

4.6. The absence of a duly-approved master lists would signify that the grant of ECA was not carefully reviewed and verified by the authorized signatories, hence, there is no assurance that the ECA was given to qualified tobacco farmers only.

Non-submission by the tobacco farmers of photos evidencing physical damage to their tobacco plantation due to natural calamities

4.7. Section IV of the IG of ECA states that:

All registered tobacco farmers in Regions I, II and CAR [Cordillera Administrative Region] who planted tobacco in CY 2021-2022, and who are affected by natural calamities such as typhoons, floods, freak rains, and earthquake, regardless of the area (in has.) affected and severity of damages incurred, shall receive assistance in the amount of One Thousand Five Hundred Pesos (Php1,500.00), each in cash.

4.8. Validation of the documents submitted by the NTA Abra, Candon, and Vigan PBOs disclosed that payments of the ECA were not supported with photographs showing actual damage on the tobacco farms and/or crops of the tobacco farmers, contrary to Section IV of the IG of ECA.

4.9. Inquiry by the Audit Team of NTA Abra PBO with the Acting Chief Agriculturist disclosed that most of the farmer-beneficiaries did not actually incur physical damage in their respective farm areas, but were psychologically affected by the earthquake as their province had been declared under a state of calamity. Meanwhile, the NTA Candon PBO is still in the process of compiling the pictures showing the actual damage on the tobacco crops due to freak rains of the farmer-beneficiaries. The NTA Vigan PBO provided the Audit Team with Certifications from the Local Municipal Disaster Risk Reduction and Management Office that the tobacco farmer-recipients experienced threatening and distressing effects which caused them increased anxiety related to stress and fears such as earthquake phobia, hypervigilance, and mental roadblock.

4,978 unqualified tobacco farmers were given ECA in the total amount of P7.467 million in NTA Abra, Candon, and Vigan PBOs considering that: they were not affected by natural calamities; they are not included in RSBSA as they do not have registration numbers; and they did not plant tobacco in CYs 2021 to 2022, contrary to Section IV of the IG of ECA

- 4.10. Pursuant to Section IV of the IG of ECA, all registered tobacco farmers in Regions I, II, and CAR who planted tobacco in CYs 2021 to 2022 and were affected by natural calamities, such as, typhoons, floods, freak rains, and earthquake regardless of the area affected and severity of damages incurred are eligible to receive assistance amounting to P1,500 each.
- 4.11. Audit disclosed that the NTA Abra, Candon, and Vigan PBOs granted ECA in the total amount of P7.467 million to 4,978 tobacco farmers (Table 6), who did not meet the qualification requirements under Section IV of the IG of ECA, due to, among others: (a) they were not affected by natural calamities; (b) they are not included in the RSBSA as they do not have registration numbers; and (c) they did not plant tobacco in CYs 2021 to 2022.

Table 6 – ECA Granted to Unqualified Beneficiaries in CY 2022

Deficiencies Noted in the Grant of ECA	No. of Farmer-Beneficiaries				Amount of ECA Distributed
	Abra	Candon	Vigan	Total	
No RSBSA Number	731	-	135	866	P 1,299,000
Inaccuracies/inconsistencies in RSBSA numbers	28	-	171	199	298,500
No RSBSA Registration, did not plant Tobacco in CYs 2021-2022 and not affected by natural calamities	-	290	-	290	435,000
No RSBSA Registration	-	1,012	-	1,012	1,518,000
Not affected by natural calamities	-	1,772	-	1,772	2,658,000
Did not plant tobacco in CYs 2021-2022	-	101	-	101	151,500
No RSBSA Registration and not affected by natural calamities	-	601	-	601	901,500
Did not plant tobacco in CYs 2021-2022 and not affected by natural calamities	-	137	-	137	205,500
	759	3,913	306	4,978	P 7,467,000

- 4.12. According to the Audit Teams assigned in NTA Abra, Candon and Vigan PBOs, the grant of ECA to unqualified tobacco farmer-beneficiaries could be attributed to: (a) inadequate review and verification of the 731 beneficiaries in NTA Abra PBO and 135 beneficiaries in NTA Vigan PBO; (b) poor screening of the 3,913 recipients by the NTA Candon PBO; (c) laxity of the Supervising Tobacco Production and Regulation Officer (TPRO) and Acting Chief Agriculturist of NTA Abra PBO, as well as, the personnel in-charge in NTA Vigan PBO in the review and verification of the correctness of the information indicated in the master lists prepared by the Extension Workers.

In NTA Abra, Cagayan, Candon, and Vigan PBOs, inconsistencies were noted in the signatures of farmer-recipients appearing in the payrolls, CIVs, and photocopies of 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

- 4.13. Validation of the payrolls, CIVs, and supporting documents, i.e. photocopies of IDs submitted to the Audit Teams by the NTA Abra, Candon, Cagayan and Vigan PBOs, on the payments of ECA to tobacco farmers disclosed inconsistencies in the signatures of farmer-recipients appearing in the payrolls, CIVs, and photocopies of 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, as summarized in Table 7.

Table 7 – Deficiencies Noted in the Validation of the Payrolls, CIVs and Supporting Documents

PBO	Deficiencies
Abra, Candon, Vigan	<ul style="list-style-type: none"> • Differing signatures of the farmer-recipients appearing on the CIVs, payrolls, photocopies of IDs, and other attached documents • Thumbmarks were affixed on the documents but there were no corroborating proofs that the farmers concerned were actually unable to write or affix their signatures
Abra, Candon	<ul style="list-style-type: none"> • No signatures affixed on the IDs provided
Candon, Vigan	<ul style="list-style-type: none"> • No attached photocopies of IDs
Abra	<ul style="list-style-type: none"> • Different signatures of the farmer-recipients appearing on the payroll and CIV • No signatures on the payroll • Two CIVs and IDs were submitted with different signatures • Two different signatures appearing on payroll and two different specimen signatures appearing on the photocopy of IDs • Two different signatures were noted on the CIV • Two different specimen signatures appearing on the photocopy of ID • Two different signatures were noted on the CIV and two different specimen signatures were noted in the photocopy of ID • Two different signatures were noted on the documents
Vigan	<ul style="list-style-type: none"> • Some IDs were without signatures and pictures • Name printed on the CIV and payroll differed from the name printed on the ID
Cagayan	<ul style="list-style-type: none"> • No attached photocopies of IDs

- 4.14. According to the Acting Chief Agriculturist concerned, the distribution was duly acknowledged by the recipients of NTA Abra and Candon PBOs.
- 4.15. In view of the foregoing deficiencies noted, there is no assurance that the ECA were indeed granted to qualified tobacco farmers and duly received by the recipients.

4.16. **We recommended that NTA top Management direct the:**

a. Managers of NTA Abra, Candon, and Vigan PBOs to:

a.1. Submit to the Audit Teams concerned, for verification and validation, the following documents:

- i. Duly-approved List of Beneficiaries of ECA duly verified from the Masterlist of the DAOP and approved by the NTA Administrator;**
- 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;**
- iii. Proof of registration of the farmer-beneficiaries with the RSBSA;**
- iv. Proof that the farmer-recipients planted tobacco in CYs 2021-2022; and**
- v. Duly-certified photocopies of valid IDs of the farmer-recipients with photographs and signatures affixed therein;**

a.2. Hold responsible/accountable the erring personnel who granted ECA to tobacco farmers who are not qualified under the Program; and

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

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.

4.17. **Management of the NTA Abra, Candon, and Vigan PBOs commented that:**

a. They will immediately submit the required documents for verification and validation of the Audit Teams concerned; and

b. If further validation reveals that the ECA were granted to unqualified beneficiaries, they will require the farmers concerned, or if not possible, the erring personnel to refund the ECA received.

- 4.18. During the exit conference, top Management commented that the PBOs concerned will be directed to exercise due diligence in the granting of assistance to tobacco farmers and conduct thorough validation of recipients for similar and subsequent programs of the NTA.
- 4.19. As a rejoinder, the Audit Team appreciated Management's commitment to comply with the audit recommendations and their full compliance thereof will be monitored in the CY 2023 audit.

5. 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, 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.

- 5.1. 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, specifically by requiring the former PBOs' Accountants to turnover loan documents and accounting records still in their possession to the incumbent Accountants.
- 5.2. Section 5.4 of COA Circular No. 2016-005 dated December 19, 2016 defined dormant receivable accounts as those accounts which balances remained inactive or non-moving in the books of accounts for ten 10 years or more and where settlement/collectability could no longer be ascertained.
- 5.3. Moreover, Section 8.2 of the same Circular states that:

The Head of the government entity shall file the request for authority to write off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required.

- 5.4. Accounting records on the Loans Receivable account from CYs 2017 to 2022 showed 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 8.

Table 8 – Dormant Receivables from CYs 2017 to 2022

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 (Table 9)	218,099,194	83,986,707	62.62%

- 5.5. Likewise, perusal of the aging of the Loans Receivable account totaling P1.070 billion as of December 31, 2022 revealed that P218.099 million or 20.39 per cent remained inactive or non-moving in the books of accounts for more than 10 years as presented in Table 9.

Table 9 – Aging of Loans Receivable as of December 31, 2022

Office/PBO/Project	Less than One Year		More than One to Five Years		More than Five to 10 Years		More than 10 Years		Total
	P	-	P	-	P	-	P	-	
CO	P	-	P	-	P 18,874,840	-	P 5,414,040	-	P 24,288,880
Candon		36,352,217		62,996,391		79,477,619		61,667,220	240,493,447
Ilocos Norte		30,392,578		58,907,253		31,601,138		42,689,835	163,590,804
La Union		22,015,085		53,086,783		60,811,071		27,562,793	163,475,732
Abra		18,523,193		42,893,227		29,096,998		21,717,655	112,231,073
Isabela		14,383,054		55,436,098		33,672,652		5,270,188	108,761,992
Vigan		13,459,806		34,617,182		21,767,504		36,721,890	106,566,382
Pangasinan		14,130,084		50,032,582		17,071,051		10,514,450	91,748,167
Cagayan		16,558,247		21,054,364		9,002,486		1,813,993	48,429,090
Kadiwa ni Ani at Kita		-		-		5,541,692		153,441	5,695,133
Iloilo		-		-		-		4,573,689	4,573,689
		P 165,814,264		P 379,023,880		P 306,917,051		P 218,099,194	P 1,069,854,389

- 5.6. Similar with the previous years, the causes/reasons for the dormancy of these accounts are as follows:
- Former Accountants in NTA Vigan, Candon, La Union, Abra, and Isabela PBOs did not properly turn over to the incumbent Accountant the pertinent records and documents, i.e. loan documents/records to establish the validity of the accounts;
 - The SOAs are not regularly sent/issued to farmer-borrowers and no demand letters were sent to defaulting farmer-borrowers to collect outstanding loan balances in NTA Abra, Cagayan, and La Union PBOs, and Kadiwa ni Ani at Kita;
 - Dormant accounts in NTA CO originated from the eight defunct tobacco agencies merged to the NTA, hence, the whereabouts of the farmer-borrowers are unknown or farmer-borrowers are already deceased;

- d. The NTA Iloilo PBO is already closed and there were no documents retrieved to determine the details of the dormant accounts;
 - e. The farmer-borrowers in NTA Ilocos Norte and Pangasinan PBOs gave the following reasons, among others, for their inability to settle their outstanding loan balances: (i) high cost of inputs in growing and drying of tobacco; (ii) inadequate sales proceeds to cover amortization, application of payments to interests and penalties; (iii) damaged tobacco crops; and (iv) farmers' notion that loans granted to them are dole-outs; and
 - f. The farmer-borrowers in NTA La Union PBO attributed their inability to settle their outstanding loan balances to, among others: (i) high cost of inputs in growing and drying of tobacco; (ii) educational and medical needs were prioritized by the borrowers; (iii) over exposure of borrowers to various loan programs; (iv) damaged crops or poor harvest due to calamities; (v) farmers' notion that loans granted to them are dole-outs; and (vi) quantity planted was only minimal.
- 5.7. The collectability of the dormant Loans Receivables totaling P218.099 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.
- 5.8. **We reiterated our previous years' recommendations that top Management:**
- 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 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;**
 - 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**
 - c. **Instruct the Managers of the PBOs concerned to require their Accountants to:**
 - 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;**

- c.2 **Intensify collection efforts by sending religiously the SOAs/ demand letters to farmer-borrowers to prevent/minimize the accumulation of dormant accounts; and**
 - c.3 **Initiate legal action against defaulting farmer-borrowers with long overdue accounts, if no settlement is made despite demand letter(s) sent; and**
 - 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.**
- 5.9. Management of PBOs and Kadiwa ni Ani at Kita Special Project submitted the following comments:
- a. The NTA Abra and Cagayan PBOs, as well as, Kadiwa ni Ani at Kita Management committed to intensify collections of dormant loans receivable by sending demand letters to farmer-borrowers with known addresses.
 - b. The NTA Candon, Abra, Pangasinan, and Vigan PBO Management informed that they are exerting all efforts to locate the documents pertaining to receivables and ensured that they will prepare the necessary documents to support their request for authority to write off of the dormant loans receivable.
 - c. The NTA Ilocos Norte PBO Management informed that they have exerted serious effort to collect overdue and delinquent accounts. They have also included in the existing guidelines in the granting of loans, not to grant production assistance to those farmer-beneficiaries who have not paid at least 85 per cent of their existing loans.
 - d. The NTA La Union PBO Management informed that there is low collection efficiency because most of the tobacco plants, particularly the newly-transplanted, were damaged due to freak rains. Moreover, the restructuring of loans was granted to tobacco farmers who were not able to pay their loans due to calamities during the previous cropping season.
- 5.10. As a rejoinder, the Audit Teams assigned at NTA PBOs acknowledged the commitment of Management to address the issues on the dormant loans receivable from farmer-borrowers.

6. 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.
- 6.1. This is a reiteration with updates of the observations contained in the CY 2021 AAR since the recommendations to address the issue on the granting of new loans to farmer-borrowers who still have existing past due loan balances have not yet been implemented.
- 6.2. The IGs of the various projects/programs of the NTA, which include, among others, the Curing Barn Assistance Project (CBAP); Improved Tobacco Seedling Project (ITSP); Integrated Farming and Other Income Generating Activities Project (IFOIGAP)-Rice; IFOIGAP-Tobacco; IFOIGAP-Tobacco Contract Growing System (TCGS); Tobacco Farm Mechanization Program (TFMP); and Beef Cattle Production Assistance Project (BCPAP), provided the criteria or qualifications to be entitled to the different NTA loan programs, specifically on the credit standing of tobacco farmer-borrowers, as summarized in Table 10.

Table 10 – Criteria/Qualifications for Loan Entitlement

Project/Program Title	Reference in IG	Provision in the IG
CBAP	Section 1(c)	Must not have availed of a similar assistance in the past including Multi-Purpose Curing Barn (MPCB), except those who were affected by natural calamities and those who have fully paid previous availments.
ITSP	Section IX. Violation of any undertaking	Violation of any provision/s of this AGREEMENT shall subject the violator/s to the following sanctions/penalties: a) Blacklisting from future participation in any project of NTA; b) Immediate payment of production assistance including interest charges and other fees, which becomes immediately due and demandable; and c) Xxx.
IFOIGAP-Rice	Section 3 (g)	Has attained at least 75 per cent repayment of production assistance availed for IFOIGAP-Rice for Wet Season (WS) 2020 project or prior years, except those affected by recent typhoons.
IFOIGAP-Tobacco	Section II. B(g)	Must pay the full payment amount of production assistance availed. Failure on the part of farmer-cooperator to pay the full amount of production assistance will disqualify him from availing any production assistance program in the future. However, if the cause of non-payment of the production assistance is force majeure, the farmer-cooperator shall execute a promissory note indicating therein the restructured schedule of payment for a two-year period to fully pay the loan obligation.
IFOIGAP-TCGS	Section II. B(g)	- do -
TFMP	Section III (A) (4)	Willing to conscientiously and religiously pay and remit to the NTA through its assigned TPROs, in accordance with the schedule of amortizations and the time agreed upon in the schedule of payments.

- 6.3. Audit disclosed that the NTA Abra, Candon, and Vigan PBOs granted new loans in the aggregate amount of P60.714 million to 1,065 farmer-borrowers despite the latter still have existing past due loan balances from other projects, namely, CBAP, BCPAP, ITSP, IFOIGAP-Rice, IFOIGAP-Tobacco, TCGS and other loans in the aggregate amount of P63.895 million, as summarized in Table 11, contrary to the pertinent provisions of the respective IG of the projects/programs, as indicated in Table 10.

Table 11 – Summary of New Loans Granted to Tobacco Farmer-Borrowers in CY 2022 and Their Outstanding Loan Balances in Previous Years

Particulars	Abra	Candon	Vigan	Total
No. of tobacco farmer-borrowers	460	90	515	1,065
New Loans Granted in CY 2022				
TCGS	P -	P 22,547,410	P -	P 22,547,410
IFOIGAP - Tobacco	11,195,847	-	7,076,250	18,272,097
CBAP	3,415,500	5,823,400	2,317,750	11,556,650
IFOIGAP - Rice	1,422,165	1,859,670	214,507	3,496,342
ITSP	1,211,729	1,567,400	414,882	3,194,011
BCPAP	-	-	758,980	758,980
Other Loans	99,643	671,200	117,700	888,543
	17,344,884	32,469,080	10,900,069	60,714,033
Balances Prior to Grant of New Loans in CY 2022				
CBAP	5,171,476	5,850,550	8,007,677	19,029,703
BCPAP	2,561,800	3,096,900	2,512,150	8,170,850
Facility Assistance	1,950,008	3,312,130	1,007,243	6,269,381
Irrigation Support Project	5,609,309	308,201	1,135,131	7,052,641
TCGS	16,764	5,111,886	-	5,128,650
IFOIGAP - Rice	134,667	1,241,685	1,280,170	2,656,522
IFOIGAP - Tobacco	865,053	-	744,288	1,609,341
Other Loans	3,293,254	2,977,061	7,707,514	13,977,829
	P 19,602,331	P 21,898,413	P 22,394,173	P 63,894,917

- 6.4. The non-payment by the 1,065 farmer-borrowers of their previous loans is already a ground for disqualification to avail new loans from the NTA Abra, Candon, and Vigan PBOs pursuant to the respective IGs of the projects/programs.
- 6.5. The granting of new loans to 1,065 farmer-borrowers despite they still have unpaid loans from other programs could be attributed to the following lapses committed by the officials and personnel of the PBOs, among others:
- a. Inadequate monitoring by the PBOs of the loan accounts of each farmer-borrower in the absence of master list showing their outstanding loan balances on all NTA's projects/programs at any given time;
 - b. Lack of close coordination by the Operations Division with Accounting Division of the PBOs for the former to ascertain whether the applicant farmer-borrower has still unpaid balance from other loan programs of the NTA; and

- c. The Subsidiary Ledgers maintained by the Accounting Division in the PBOs are not religiously updated due to voluminous workload of the PBOs Accountants, hence, the latter could not readily determine whether the farmer-borrower/s still have existing unpaid loans.
- 6.6. The granting of new loans to farmer-borrowers despite they still have existing past due loan balances from other NTA projects/programs deprived other qualified farmer-borrowers the opportunity to avail of the loan programs and resulted in the accumulation of unpaid accounts, as discussed in paragraph 5 hereof.
- 6.7. **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 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;**
 - 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**
 - a.3. **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.

6.8. We further recommended that top Management:

- d. Direct the Management Information System Division of the Corporate Planning Department to develop a system that will automate the process on the granting of loans to farmer-borrowers; and**
- 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.**

6.9. The following are the comments of Management of PBOs:

- a. The NTA Abra PBO admitted that they have no database of delinquent borrowers, but already elevated the matter to the NTA CO.**
- b. The Accounting and Operations Divisions of the NTA Candon PBO will closely coordinate with each other to review and evaluate the loan application of each of the farmer-borrower before granting new loans. Moreover, they will request for additional staff to assist the Branch Accountant in the preparation of master list of delinquent borrowers to be blacklisted.**
- c. The Branch Accountant of the NTA Vigan PBO already started the preparation of a list of delinquent borrowers for some areas, while the Branch Manager concerned instructed the Branch Accountant to provide the Acting Chief Agriculturist a copy of the latest receivable balances as his reference in screening the farmer applicants.**

GENDER AND DEVELOPMENT (GAD)

7. The rules and regulations on GAD were not strictly complied with by NTA in CY 2022 considering the following deficiencies:

- 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**

b. **Separate Responsibility Center (RC) and RC code for GAD Focal 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.**

7.1. In CY 2022, the NTA earmarked a total budget of P97,447 million (Table 12) for the implementation of 15 GAD-related programs, activities and projects (PAPs), representing 19.28 per cent of the Department of Budget and Management (DBM)-approved Corporate Operating Budget for FY 2022 amounting to P505.494 million.

Table 12 – GAD-Related PAPs and Budget for FY 2022

GAD-related PAPs	No. PAPs	GAD Budget
Client-focused activities	8	P 65,405,014
Organization-focused activities	5	919,570
Attributed programs	2	31,122,329
Total GAD budget	15	P 97,446,913

Non-formulation of NTA's GAD Agenda which would serve as the Agency's strategic framework and plan on gender mainstreaming

7.2. 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 years.

7.3. Pursuant to Section 5.1.1 of PCW MC No. 2018-04, the Head of the Agency or the 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 years and reports shall be prepared and submitted to the PCW.

7.4. This a reiteration of prior year's audit observation on the non-creation of a planning team and absence of a memorandum from 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 revealed that in CY 2022, no planning team was organized by the NTA for the formulation of NTA's GAD Agenda as the GFPS Chairperson and Members had not convened for the purpose, due to various work assignments. The GFPS Chairperson deems that

there is a need to invite a resource person to re-train the NTA GFPS since it was reconstituted only on June 30, 2022 and most of the members are new to the concepts of GAD. Likewise, the restricted participation of the GFPS in the GAD activities due to multiple work assignments and stringent reporting requirements hampered the preparation and submission of GAD reports including the GAD Agenda in CY 2022.

- 7.6. The absence of duly-prepared and approved GAD Agenda casts doubts on whether all gender issues of the NTA and its clients have been completely identified and addressed according to its mandate.

Separate RC and RC code for GFPS were not created/assigned for GAD-related expenses and transactions

- 7.7. COA Circular No. 2021-008 dated September 6, 2021 was issued to require all government agencies to create/assign an RC for their GFPS to facilitate the generation of all reports pertaining to GAD-related expenses and other GAD-related financial transactions as well as monitor and properly account for the GAD funds.
- 7.8. Section 4 of the said Circular provides the guidelines and procedures for the creation/assignment of RC and RC codes for GFPS. In particular, Sections 4.2 to 4.7 thereof state that:

4.2 Government entities shall establish their own responsibility accounting by creating or assigning RCs and RC codes.

4.3 Xxxx

4.4 A separate RC and RC code for the GFPS assigned by the entity concerned shall serve as the RC for GAD-related expenses.

4.5 The RC for GFPS assigned or created shall be under the office of the agency head for xxx GCs [Government Corporations], xxx.

4.6 The RC code assigned for GFPS shall be reflected in the enhanced electronic New Government Accounting System (eNGAS) xxx or in any computerized or manual accounting system implemented by the government entity concerned.

4.7 Using the assigned RC and RC code for GFPS, the government entity concerned shall prepare the reports for GAD-related expenses and other GAD-related financial transactions prescribed in Section 10.0 of the

PCW-NEDA [National Economic and Development Authority]-DBM JC [Joint Circular] No. 2012-01 for NGAs [National Government Agencies] and GCs; xxx.

- 7.9. Inquiry with the GFPS Chairperson and Chief Accountant disclosed that they are not aware of the subject COA Circular which requires the creation and assignment of RC and RC codes for GFPS.
- 7.10. The non-creation/non-assignment of RC and RC code for the GFPS for the GAD-related transactions would result in the difficulty in monitoring GAD budget vis-à-vis expenses and preparation of the GAD Accomplishment Report.
- 7.11. **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.**
- 7.12. **We also recommended that top Management instruct the Accounting Division to create/assign RC and RC Codes for 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.**
- 7.13. Management informed that they are preparing a proposal for the orientation/training on the GAD Agenda, where the top Management, Managers and GFPS will be attending. They will be tapping a resource person accredited by the PCW and a planning team will be constituted to formulate the NTA's GAD Agenda for CYs 2023 to 2028. Likewise, the GAD Chairperson will be coordinating with the Accounting Division on the assignment of RC codes to monitor expenses related to GAD.
- 7.14. As a rejoinder, the Audit Team acknowledged the commitment of Management to comply with the recommendations.

COMPLIANCE WITH PROPERTY INSURANCE LAW

8. **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.**

- 8.1. Section 2 of RA No. 656, otherwise known as the Property Insurance Law, as amended by PD No. 245, states that:

In order to indemnify or compensate the Government as defined in this Act for any damage to, or loss of, its properties due to fire, earthquake, or other casualty there is hereby established the "Property Insurance Fund", xxx.

- 8.2. Section 1 of AO No. 33, s. 1987, which prescribes the guidelines for the insurance of all properties, contracts, rights of action, and other insurance risks of the government, requires that:

All heads of departments, commissions, boards, bureaus, offices of the national and local governments concerned except municipal governments below first class, government-owned and/or controlled corporations, subsidiaries and acquired asset corporations shall secure from the General Insurance Fund directly, all insurances or bonds covering properties, contracts, rights of action and other insurable risks of their respective offices, including all those in which their respective offices have an insurable risk and all those in which they have an insurable interest only. Xxxx

- 8.3. Records disclosed that the insurable properties of the NTA Abra and Candon PBOs as well as the NTA Vigan Training Center located at San Juan, Ilocos Sur, in the aggregate amount of P46.436 million were not insured with the GIF of GSIS in CY 2022, which is not in accordance with RA No. 656, as amended by PD No. 245, and Section 1 of AO No. 33, s. 1987. The summary of the insurable properties that were not insured with the GIF of the GSIS is presented in Table 13.

Table 13 – Uninsured Properties in NTA Abra, Candon, and Vigan PBOs

Properties	Amount
Candon PBO:	
Buildings	P 11,965,255
Vehicles	2,609,840
Office equipment	918,375
Information equipment	855,373
Other property, plant and equipment	741,441
Semi-expendable office equipment	1,441,888
Semi-expendable information equipment	770,897
Semi-expendable furniture and fixtures	112,639
	19,415,708
Abra PBO:	
Buildings	11,334,705
Information equipment	989,898
Office equipment	68,900
Semi-expendable office equipment	481,266
Semi-expendable communication equipment	312,855
Semi-expendable information equipment	219,910
Semi-expendable furniture and fixtures	93,740
Semi-expendable agricultural and forestry	31,500
	13,532,774
NTA Vigan Training Center	13,487,700
	P 46,436,182

- 8.4. The inability to insure all the insurable properties of the NTA would result in the non-indemnification of the Agency for any damage or loss due to fire, earthquake or other casualty, contrary to RA No. 656, as amended by PD No. 245, and AO No. 33, s. 1987.
- 8.5. Moving forward, 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.
- 8.6. Management of the PBOs concerned admitted that they overlooked the requirement of insuring all properties and insurable interests of the government with the GIF of the GSIS due to voluminous workload, but assured the Audit Teams concerned that application for property insurance with the GIF of the GSIS will be done in CY 2023.
- 8.7. As a rejoinder, the Audit Teams will monitor the NTA's compliance with the audit recommendation during the CY 2023 audit.

COMPLIANCE WITH REGULATORY REQUIREMENTS

9. In CY 2022, 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 thereof are presented in Table 14.

Table 14 - Schedule of Remittances in Compliance with Regulatory Requirements

Law, Rules and Regulations	Government Agency	Amount Remitted in CY 2022	Balance as at 12/31/2022	Remittance in 2023	
				Amount Remitted	Date Remitted*
Department of Finance-DBM-COA JC No. 1-2000	BIR	P 23,656,670	P 3,689,923	P 3,370,592	January 2023
RA No. 8291, otherwise known as the "GSIS Law"	GSIS	36,743,053	2,546,472	1,624,728	January 2023
RA No. 9679, otherwise known as the "HDMF Law"	HDMF	5,207,337	260,622	188,033	January 2023
RA No. 7875, as amended by RA No. 9241, otherwise known as the "National Health Insurance Act"	PhilHealth	5,017,361	156,934	146,568	January 2023

* Different dates of remittance in January 2023 by NTA-CO and PBOs

SUMMARY OF AUDIT DISALLOWANCES, SUSPENSION, AND CHARGE

10. Table 15 shows the summary of the unsettled audit disallowances, suspension, and charge as of December 31, 2022, the details and status thereof are presented in **Annex A** of this Report.

**Table 15 - Summary of Audit Disallowances, Suspension, and Charge
As of December 31, 2022**

Particulars	Beginning Balance	CY 2022		Ending Balance
	01/01/2022	Issuance/Adjustment	Settlement	12/31/2022
Disallowances	P 25,594,587	P (216,663)	P 550,686	P 24,827,238
Suspension	128,408,027	22,575	128,408,027	22,575
Charge	54,280	-	-	54,280
	P 154,056,894	P (194,088)	P 128,958,713	P 24,904,093

- 10.1. The composition of the Notices of Disallowance (ND) as of December 31, 2022 in the total amount of P24.827 million is shown in Table 16.

Table 16 - Composition of Audit Disallowances

Particulars	Quantity	Amount
NDs with Notices of Finality of Decision and COA Orders of Execution	25	P 6,139,138
ND with Commission Proper (CP) Decision	1	350,000
NDs with Adjudication and Settlement Board Decisions	2	86,895
ND with Corporate Government Audit Sector (CGAS) Cluster V Decision	1	399,603
ND with Appeal Memorandum	1	30,000
NDs under Petition for Review of the CP/Automatic Review of the CP	15	17,821,602
	45	P 24,827,238

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

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

Of the 67 audit recommendations embodied in the prior years' Annual Audit Reports (AARs), 24 were fully implemented, 27 were partially implemented, 7 were not implemented, while 9 were closed as the recommendations are no longer doable, details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
2021 AAR Financial Audit Observation (AO) No.1 Page 56	The non-recognition of interest on the long-term Financial Liabilities - Notes Payable to the Philippine National Bank (PNB) through the Omnibus Credit Line, 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, 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.	We recommended that Management: a. 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 b. 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.	Updated and reiterated in Part II – Observation and Recommendation No. 1 of this Report. Not Implemented. Partially Implemented. The NTA has constantly followed up with the PDIC on the proposed restructuring of the loan. In a letter dated February 3, 2022, the PDIC informed the NTA that they are evaluating the proposal of loan restructuring and the NTA will be notified on the result of the counter proposal once the final terms are approved.

Reference	Observations	Recommendations	Actions Taken/ Comments
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-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.	We recommended that Management require the: <ul style="list-style-type: none"> 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; b. Accounting Division and General Services and Procurement Division (GSPD) to: <ul style="list-style-type: none"> b.1. 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 Provincial Branch Office (PBO); b.2. Reconcile the accounting and property records 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, 	<p>Fully Implemented.</p> <p>Management effected the reclassification per Journal Entry Voucher (JEV) No. 2281363 dated April 2022.</p> <p>Fully Implemented.</p> <p>Derecognition was effected by Management per JEV No. 2281310 in calendar year (CY) 2022.</p> <p>Partially Implemented.</p> <p>Reconciliation between the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) vis-a-vis accounting records is on-going.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		and adjust/correct affected records to come up with reliable and reconciled balances of PPE - Land account;	
		b.3. Submit the reconciliation working paper on the PPE - Land account, duly supported with relevant documents, to the Audit Team, for audit/verification purposes; and	Partially Implemented. Reconciliation between the properties included in the RPCPPE and accounting records of NTA-CO and PBOs is on-going.
		b.4. 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 accordingly;	Partially Implemented. Close coordination with the concerned Departments/Divisions is on going to address the issue.
		c. 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	Partially Implemented. The Administrative Department and the GSPD are collating copies of TCTs and TDs as evidence of NTA's ownership over the real properties for

Reference	Observations	Recommendations	Actions Taken/ Comments
		other documents to establish NTA's ownership of the 138 real properties which were excluded/adjusted in the CY 2021 RPCPPE; and	consolidation and titling purposes. The process of determining the persons responsible for the safekeeping of pertinent documents and the identification of the whereabouts of said documents, specifically those deleted from the property records, is on-going.
		d. 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.	Partially Implemented. The Asset and Inventory Committee (AIC) was reconstituted on July 6, 2022 and February 16, 2023. The schedule for physical inventory in CY 2022 was not performed due to change in Management and AIC members.
		We further recommended that the CY 2021 financial statements (FSs) be restated to reflect the correct balance of the PPE-Land account as at December 31, 2021.	Fully Implemented. The CY 2021 FSs were already restated.
AO No. 3 Page 68	In NTA Ilocos Norte PBO, the unreleased checks as of December 31, 2021 for approved loans and assistance to farmers/beneficiaries and payments to creditors in the total amount of 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	We recommended that top Management 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	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 4 Page 70	<p>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 GAM for NGAs, Volume I.</p> <p>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 Kadiwani 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</p>	<p>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.</p> <p>We further recommended that the Ilocos Norte PBO Management 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 JEV to revert back the same to the Cash in Bank account.</p> <p>We reiterated our previous years' audit recommendations that Management instruct the Accountants of NTA-CO and PBOs to:</p>	Fully Implemented.
		<p>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 IPSAS 3 and 29 as well as NTA's policy on Allowance for Impairment Losses; and</p> <p>b. Monitor regularly evidence of impairment of the Agency's assets to ensure adequate provision for Allowance for Impairment Losses, once the conditions or</p>	Fully Implemented.
			Evidence of impairment is regularly monitored and provision for Impairment Losses is recognized, if

Reference	Observations	Recommendations	Actions Taken/ Comments
	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.	observable data mentioned in Paragraph 68 of IPSAS 29 are present. We likewise recommended that Management 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.	necessary. Fully Implemented. Board Resolution No. 011, s. 2022 dated October 27, 2022 was issued amending Board Resolution No. 620-2017 dated January 13, 2017 relative to NTA's policies and guidelines pertaining to the provision for Allowance for Impairment which set the rates and the reckoning date to be used for uniformity and consistency of application.
AO No. 5 Page 74	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 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 (CFGPFPRPSE).	We recommended that Management: 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 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	Partially Implemented. PBOs concerned are currently exerting all efforts to locate documents of unsupported loan receivables. Partially Implemented. Coordinated with the Accountants of the PBOs and the Management Information System of the Corporate Planning Department (CPD) for the automation of loan receivable system as

Reference	Observations	Recommendations	Actions Taken/ Comments
Non-Financial AO No. 6 Page 76	<p>The collectability of the dormant Loans Receivable, which remained inactive or non-moving in the books of accounts for more than 10 years totaling P134.112 million as of December 31, 2021, representing 12.80 per cent of total Loans Receivable of P1.048 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 were already deceased; and (d) Statement of Accounts (SOAs) were not regularly sent/issued to farmer-borrowers and/or demand letters were not sent to defaulting farmer-borrowers; thus, deprived the NTA of additional funds for its operations, to pay/settle its loan obligations with the PDIC, and/or to finance projects aligned with its mandate.</p>	<p>letters for those with past due or delinquent accounts.</p> <p>We reiterated our previous years' recommendations that Management:</p> <ul style="list-style-type: none"> a. Require the former PBO Accountants to submit or turn over all the loan documents and accounting records still in their possession to the incumbent Accountants; b. Require the NTA-CO and PBOs Administrative Departments to ensure that proper turn-over of documents is made by retiring, resigning or reassigned/transferring employees before clearance from money, property and all accountabilities is issued to them; and c. Direct the Accountants and other concerned officials/employees 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 authority to write-off dormant Loans Receivable accounts aged more than 10 years, if all efforts exerted in collecting the 	<p>discussed during the Exit Conference held last May 23, 2023.</p> <p>The NTA PBOs maintain SLs of loan receivables.</p> <p>Updated and reiterated in Part II – Observation and Recommendation No. 5 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Proper turn-over of documents is practiced by the NTA when there are transfers of accountabilities unless there are uncontrolled circumstances like employees under Absences without Leave.</p> <p>Partially Implemented.</p> <p>The Accountants of the PBOs, with the assistance of the Operations Division, are currently gathering documents to support the request for authority to write-off dormant Loans Receivable accounts. However, NTA Isabela and Cagayan PBOs have not implemented the recommendation.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		accounts remained improbable.	
		We also recommended that Management instruct the Accountants of PBOs to:	
		a. Communicate in writing with the relatives of the deceased farmer-borrowers to request authenticated copy of the death certificate or obtain said document from the Philippine Statistics Authority, as one of the documents to support the request for authority to write-off;	Partially Implemented. Death certificates are being secured by the PBOs upon knowledge of farmer-borrowers' death.
		b. Intensify collection efforts by sending religiously the SOAs/ demand letters, through registered mail with return card, to farmer-borrowers, so as to prevent/minimize the accumulation of dormant accounts; and	Partially Implemented. Demand letters are being constantly sent to farmer-creditors to comply with the requirements on the request for authority to write off receivables.
		c. Consider initiating legal action against defaulting farmer-borrowers with long overdue accounts, if no settlement is made despite demand letter(s) sent.	Not Implemented.
		We further recommended that Management consider the financial capability of the farmer-borrowers before granting loans, to avoid accumulation of unpaid accounts.	Partially Implemented. It has been the policy of NTA to assess financial capability of farmer-borrowers before granting loans to them.

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 7 Page 80	<p>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 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.</p>	<p>We recommended that top Management:</p> <p>a. Direct the PBO Managers of NTA Abra, Candon and Vigan to:</p> <p>a.1. Require the Operations Division to:</p> <p>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 PAPs is strictly enforced; and</p> <p>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;</p>	<p>Updated and reiterated in Part II – Observation and Recommendation No. 6 of this Report.</p> <p>Partially Implemented.</p> <p>Branch Accountants and Operations Division are ensuring the blacklisting of farmer-borrowers with delinquent or past due balances.</p> <p>Partially Implemented.</p> <p>While the automation of the master list is ongoing, Management will require the PBOs to maintain a database/master list of delinquent borrowers to be considered blacklisted. The database/master list will be submitted to the CPD for consolidation and the Office of the Deputy Administrator for Operations.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		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;	Partially Implemented. It has been the practice of Operations and Accounting Divisions to closely coordinate with each other to screen 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 SOAs and demand letters regularly; and	Fully Implemented. One Job Order worker per PBO was hired as Accounting Clerk to augment the personnel assigned to the Accounting Division.
		a.4. Stop granting new loans to farmer-borrowers with unpaid past due accounts to avoid accumulation of dormant receivables;	Partially Implemented. There are still farmer-borrowers who avail new loans despite having outstanding loan balances with other programs.
		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	Partially Implemented. Management to instruct PBOs to ensure strict implementation of the guidelines.

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 8 Page 86	The regularity of the assistance and loans granted to tobacco farmer-cooperators by NTA Pangasinan, Isabela and Candon PBOs under four PAPs, namely, CBAP, IFOIGAP - TCGS,	<p data-bbox="760 351 1094 842">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.</p> <p data-bbox="760 1173 1094 1634">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.</p> <p data-bbox="760 1664 1094 1754">We recommended that top Management direct the PBO Managers concerned to:</p> <p data-bbox="760 1784 1094 1906">a. Require the Extension Workers of NTA Pangasinan and Isabela PBOs to submit</p>	<p data-bbox="1117 351 1419 1141">Partially Implemented. Considering that the plantilla positions of the Internal Audit Department (IAD) has been filled-up, the review of the processes and procedures for the various NTA projects are part of their CY 2022 Audit Plan. As of May 2023, the review of the Beef Cattle Production Assistance Project is already completed, while the audit for the Chicken Layer project is on-going. The review of the Tobacco Contract Growing System (TCGS) and Gulayan at Manukan sa Barangay (GMB) will be conducted in the second half of CY 2023.</p> <p data-bbox="1117 1173 1419 1415">Partially Implemented. Management constantly reminds the PBOs to ensure strict compliance with the Implementing Guidelines of the PAPs of the NTA.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>Gulayan at Manukan sa Barangay (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:</p> <p>a. The documentary requirements to support the grant of assistance and loans in the total amount of 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 Presidential Decree (PD) No. 1445 and Section A-1 of the Implementing Guidelines of the CBAP; thus, propriety of the disbursements cannot be established;</p> <p>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</p>	<p>the following documents, to avoid suspension of the subject transactions in audit:</p> <p>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 MOA with list of availeds, and Guaranty Letter of contracted buyer firm;</p> <p>a.2. Approved master list/s of qualified recipients for curing barn assistance granted to farmer-cooperators by the Isabela PBO;</p> <p>a.3. Duly certified photocopies of valid 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 -</p>	<p>Fully Implemented.</p> <p>The CBAP documents, as listed, were already submitted by the concerned PBO to the Branch Audit Team.</p> <p>Fully Implemented.</p> <p>The documents, as listed, was already submitted by the PBO concerned to the Branch Audit Team.</p> <p>Fully Implemented.</p> <p>The duly certified photocopies of valid IDs of the farmer-beneficiaries were already submitted by the PBO to the Branch Audit Team.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	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	TCGS; 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.	<p>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;</p> <p>b. Instruct the PBO Accountants to ensure that all 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</p> <p>c. Moving forward, ensure that:</p> <p>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, unless they are affected by natural calamities and have no outstanding loan balance from their</p>	<p>Fully Implemented.</p> <p>The Sales Invoices/ Official Receipts issued by the tobacco buyer was already submitted by the PBO concerned to the Branch Audit Team.</p> <p>Fully Implemented.</p> <p>It is now the practice of the PBO Accountants to ensure that before signing the DVs, all previous CBAP loans of farmer-availees must be paid before they are granted new loans.</p> <p>Fully Implemented.</p> <p>No CBAP was granted twice to farmer-beneficiaries for Pangasinan PBO. It is the practice of the Branch Accountants to ensure that before signing the DVs, all previous CBAP loans must be paid.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		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.	Fully Implemented.
AO No. 9 Page 92	The existing GAD rules and regulations were not strictly complied with by NTA in CY 2021, considering the following: a. GAD Agenda, as the Agency's strategic framework and plan on gender mainstreaming and achieving women's empowerment and gender equality, is not prepared yet by the NTA, which is not consistent with Section 5.1 of Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA), and Department of Budget and Management (DBM) Joint Circular (JC) No. 2012-01; and PCW Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, thus, existing priority gender-issues and/or specific GAD mandates and targets	We recommended that Management: a. Constitute the planning team to formulate GAD Agenda and consider tapping the assistance of the PCW, pursuant to the guidelines provided in PCW MC No. 2018-04 dated September 19, 2018; b. Send to GAD related seminars/trainings the NTA employees, particularly the GFPS, to enhance awareness and knowledge on issues, regulations and policies in the implementation of GAD PAPs; and c. Require the GFPS through the ExeCom to: c.1. Encode in the GMMS the GAD AR for FY 2021, for review of the PCW and, submit the FY 2021	Updated and reiterated in Part II – Observation and Recommendation No. 7 of this Report. Not Implemented. The GFPS is preparing a proposal for the orientation/training on the GAD Agenda where the top Management, Managers and GFPS will be attending. Fully Implemented. The members of the GFPS attended seven webinars for the past months to enhance knowledge on GAD issues. Fully Implemented. The GAD Chairperson requested the PCW for possibility of encoding the CY 2021 AR since

Reference	Observations	Recommendations	Actions Taken/ Comments
	of the Agency may not have been completely identified and addressed;	PCW-reviewed GAD AR signed by the NTA Administrator and accompanying reports to the PCW and Audit Team, in compliance with Item 3.1 of PCW MC No. 2021-06 dated December 10, 2021;	the allowable timeline to encode already lapsed.
	b. Harmonized Gender and Development Guidelines (HGDG) tool was not accomplished by the NTA's GAD Focal Point System (GFPS) to determine the actual cost/expenditure of the regular PAPs of the Agency that can be attributed to GAD and could be reflected in the CY 2021 GAD Accomplishment Report (AR), contrary to Section 1.5 of PCW MC No. 2021-06 dated December 10, 2021;	c.2. Moving forward, ensure that the:	
		c.2.1 HGDG tool is used to determine how much of the budget of the major PAPs can be attributed to GAD-related PAPs that will be indicated in the succeeding GAD ARs;	Fully Implemented. The HGDG tool is being used already, as it is required by the PCW. However, the GFPS members still need to be trained on the proper accomplishment of the HGDG tool.
	c. Late submission of the PCW-endorsed GPB to the NTA-CO Audit Team, contrary to Item 1.2.5.3 of PCW MC No. 2020-005 dated September 11, 2020; and	c.2.2 GPB and GAD AR are submitted to the PCW within the prescribed deadline; and	Fully Implemented.
	d. Non-submission of the GAD AR to the PCW through the Gender Mainstreaming and Monitoring System (GMMS) and the PCW-reviewed GAD AR to the COA NTA-CO and Cagayan PBO Audit Teams which is not in accordance with Items 1.1 and 3.1 of PCW MC No. 2021-06 dated December 10, 2021.	c.2.3 PCW-endorsed GPB is submitted to the Audit Team within five days after its endorsement.	Not Implemented. The GPB was submitted to the Audit Team beyond the deadline prescribed by the PCW.

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 10 Page 98	There are PPE items that were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS), consisting of: (a) buildings, leased assets improvements, motor vehicles, communication equipment, etc. in NTA-CO costing P30.388 million were not insured in CY 2021; (b) PPE items in NTA Vigan PBO and Kadiwa ni Ani at Kita were not insured against earthquake, flood and other fortuitous events; and (c) PPE items in NTA Candon PBO were not insured against flood and other fortuitous events, contrary to Section 2 of Republic Act (RA) No. 656 and Section 1 of Administrative Order (AO) No. 33; thus, NTA may not be indemnified for any damage or loss due to fire, earthquake or other casualty.	<p>We recommended that Management ensure that all properties, assets and other insurable interests of NTA are covered with adequate insurance with the GIF of the GSIS, in compliance with Section 2 of RA No. 656 and Section 1 of AO No. 33.</p> <p>We also recommended that top Management determine the personnel responsible for non-insuring the properties against typhoon of the NTA Kadiwa ni Ani at Kita and, hold them liable for the damages caused by typhoon Maring, if warranted.</p>	<p>Updated and reiterated in Part II – Observation and Recommendation No. 8 of this Report.</p> <p>Partially Implemented.</p> <p>Not all properties were covered by property insurance with the GIF of the GSIS.</p> <p>Not Implemented.</p>
2020 AAR <u>Financial</u> AO No. 2 Page 58	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/SOAs as basis in the computation and assessment of corresponding fees by the Regulation Department were not attached to the ORs and monthly Report of Collections and Deposits (ROCD), since this matter	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: (i) check and balance within and among Divisions/Departments and NTA as a whole; (ii) correctness of the assessed and collected fees; and (iii) procedures presently performed but not mentioned in the Manual.	<p>Not Implemented.</p> <p>No amendment or update on the Manual of Operations was made by the NTA in CY 2022.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 4 Page 68	<p>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.</p> <p>Of the P493.141 million due for collections for the loans granted to farmer-beneficiaries in NTA Abra, Candon, Isabela and Vigan PBOs in CY 2020, only P115.153 million or 23.35 per cent were collected during the year, showing low collection efficiency, which decreased by 10.65 per cent compared to the collection efficiency rate in CY 2019 of 34 per cent. Thus, the NTA was deprived of additional funds to support its operations and implement the PAPs related to its mandate that would benefit the tobacco farmers.</p>	<p>We reiterated our previous year's recommendation that Management:</p> <ul style="list-style-type: none"> a. Initiate legal action against defaulting farmer-beneficiaries with long overdue accounts, if no settlement made despite demand letters sent; b. Ensure that accounting procedures and control measures are in place in the PBOs and monitor that they are implementing said accounting procedures and control measures, to attain a higher collection efficiency rate on Loans Receivable; and c. Provide incentives to farmers to settle their monthly amortization or accounts on or before the deadline. <p>We also recommended that Management issue a memorandum to the Branch Managers, directing them to: (i) adopt the collection strategy of NTA Isabela</p>	<p>Updated and reiterated in Part II – Observation and Recommendation No. 5 of this Report.</p> <p>Not Implemented.</p> <p>Partially Implemented.</p> <p>Controls have been placed to monitor loans, however, validation showed that some of these controls were not properly observed.</p> <p>Fully Implemented.</p> <p>Incentive is being provided in the form of 40 per cent financial subsidy.</p> <p>Partially Implemented.</p> <p>Management did not impose collection strategies except for the inclusion of the</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		PBO; (ii) set collection targets on all PAPs with outstanding balances and not only on PAPs monitored by the Governance Commission for GOCCs; and (iii) submit justification why collection targets are not met, indicating therein the proposed plan of action to address the problems encountered, and reasons which caused the non-attainment of the collection targets.	collection of past due accounts and sending of demand letters as one of the factors in evaluating the performance of PBO employees.
2019 AAR <u>Other</u> <u>Observation</u> AO No. 2 Page 59	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: a. 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 b. 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.	Closed. The recommendation is no longer doable as the variance from year to year differs. Fully Implemented.
2019 AAR AO No. 6 Page 68	The Board of Directors (BOD) of NTA did not declare dividend for Dividend Year 2019 and no remittance to the National Government (NG), contrary to Section 5.a.i. of the Revised Implementing Rules and Regulations (RIRR) of RA No. 7656 dated January 26, 2016, thus, deprived the NG of raising	We recommended that Management ensure that dividends equivalent to at least 50 per cent of NTA's annual net earnings are declared by the BOD and remitted to the NG through the Bureau of the Treasury (BTr), in compliance with Section 5.a.i. of the 2016 RIRR of RA No. 7656.	Closed. The NTA incurred a net loss in CY 2019.

Reference	Observations	Recommendations	Actions Taken/ Comments
	additional revenues that could have been utilized for other government programs/projects that will benefit the public in general.		
2019 AAR 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: 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 b. Comply with COA Resolution No. 2015-031 on the settlement of audit disallowances.	Partially Implemented. The Accounting Division collects the disallowances from employees-liable who are still in service through payroll deduction, while for those retiring employees, the audit disallowances are deducted from their terminal leave. Partially 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.
2018 AAR AO No. 1 Page 52	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	We recommended that Management: a. 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	Closed. As disclosed in Note 11.2 to FSS, the Investments account which was reclassified to Other non-current assets account represents the balance of the LBP bonds

Reference	Observations	Recommendations	Actions Taken/ Comments
2018 AAR AO No. 6 Page 76	<p>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:</p> <p>(a) undocumented balances carried over from eight 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 that the authority of the traders of the bonds was 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.</p>	<p>b. 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.</p>	<p>purchased from the Tradal Ventures Management Corporation and Stalwart Management Services Corporation through Associated Bank in CYs 1988 and 1989. Case Nos. OMB-C-C-10-0393-I and OMB-C-A-10-0413-I filed with the Office of the Ombudsman (OMB) against the NTA officials responsible and accountable for the transactions were dismissed by the OMB in a Decision dated November 2, 2011 and Resolution dated April 2, 2012.</p> <p>Closed.</p> <p>Management is still securing authority from the DENR to cut the matured trees. However, Allowance for Impairment had been provided by the NTA.</p>
	<p>Funds in the total amount of 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 aggregating to P398,352</p>	<p>We recommended that Management:</p>	<p>Fully Implemented.</p> <p>Outstanding balance as of December 31, 2021 was liquidated in CY 2022.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
2017 AAR AO No. 8 Page 80	<p>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 dated December 13, 1994.</p> <p>The Farmer-Cooperators (FCs) under the Kahayang Pangkabuhayan at Pangkalikasan (KPP) component of the Renewable Fuelwood Energy Farm Project and Restoration of Ecological Integrity (RFEFPREI) were not able to harvest fuelwood in CY 2017 due to: (a) some planted trees did not survive natural calamities in CYs 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 CY 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.</p>	<p>Circular No. 94-013; and</p> <p>b. Revert back to BTr the unreleased funds to LGUs for completed irrigation projects and projects not implemented.</p> <p>We recommended that Management:</p> <p>a. 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</p> <p>b. 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 SDGs.</p>	<p>Fully Implemented.</p> <p>Closed.</p> <p>The permit to cut needs approval by the DENR. Top Management will require the PBOs to submit status report.</p> <p>Closed.</p> <p>The NTA BOD decided to suspend the implementation of the project.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
2017 AAR AO No. 9 Page 86	<p>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.</p> <p>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 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.</p>	<p>We reiterated our recommendations that Management:</p> <p>a. 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</p> <p>b. 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.</p>	<p>Partially Implemented.</p> <p>The OIC-Project Manager projected an annual net income of P800,000 starting CY 2023 if the Universal Leaf Philippines, Inc., will provide all the necessary inputs to NTA-TDPAP. Moreover, there are already influx of orders for the product and they have catering the orders through manual production.</p> <p>Closed.</p> <p>The employees' quarters will be repaired and utilized upon resumption of operations of the TDPAP.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
2017 AAR AO No. 10 Page 88	The AgriPinoy Tobacco Farmers' Processing Plant and Trading Center and Feed Milling Complex worth P83.075 million was not utilized for its intended purpose resulting in wastage of government funds.	We recommended that Management 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.	Closed. No longer doable since the Milling Complex is currently being leased by the Abra Diocesan Teachers and Employees Multi-purpose Cooperative.
2016 AAR AO No. 5 Page 37	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 recommendation that Management file collection suits, if warranted.	Closed.

PART IV - ANNEX

**DETAILS AND STATUS OF UNSETTLED AUDIT DISALLOWANCES,
SUSPENSION, AND CHARGE
As of December 31, 2022**

I. Notices of Disallowance (NDs)

ND No./Date	Persons Liable	Nature	Amount	Status
A. NDs with Notices of Finality of Decision (NFDs) and COA Orders of Execution (COEs)				
A.1. Central Office (CO)				
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.	593,435	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 P1,581,565.

ND No./Date	Persons Liable	Nature	Amount	Status
		2006-1 dated February 1, 2006.		
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	Collective Negotiation Agreement (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.	608,394	The Petition for Certiorari is dismissed by the Supreme Court 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 P1,541,606.
10-007(10)/09/06/2010	Former Administrator; Former OIC-DASS; Former Finance Manager; Budget Officer V; Former Chief, Accounting Division; former Chief,	Increase of per diem from P5,000 to P15,000 had no approval from the DBM or OP.	120,000	With NFD No. 2020-381 dated November 25, 2020 and corresponding COE issued on October 12, 2021.

ND No./Date	Persons Liable	Nature	Amount	Status
	Administrative Division; and six former Members of the Board			The amount disallowed was P240,000 with partial settlement of P120,000.
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 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.	136,050	With NFD dated May 31, 2019 and corresponding COE issued on June 27, 2019. The amount disallowed was P489,600 with partial settlements of P353,550.
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.
14-003-101(2013)/ 08/26/2014	Former Administrator; Acting Deputy Administrator; and NTA Department Managers	Payment of RATA for CY 2013 in excess of the authorized rates provided in the GAA	4,000	With NFD dated March 11, 2019 and corresponding COE issued on April 1, 2019. The amount disallowed was P84,000 with partial settlement of P80,000 as of December 31, 2022. Fully settled on March 22, 2023 under Notice of Settlement of Suspension/ Disallowance/Charge (NSSDC) No. 2023-001-NTA-NCR.
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	Purchase of clothing materials for NTA employees in addition to	205,140	With NFD dated September 5, 2019 and corresponding COE issued on October 7, 2019.

ND No./Date	Persons Liable	Nature	Amount	Status
	Department; Chief the clothing allowance of Accountant; and payee P5,000.			The amount disallowed was P338,140 with partial settlement of P133,000.
14-07-101(13)/ 11/25/2014	Acting Administrator; No approval from Civil Manager, Finance Service Commission of Department; Chief NTA's Employee Awards Accountant; Budget System for CY 2013. Officer V and payee		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 Excess payment of Administrator; Manager, Terminal Leave Finance Department; Budget Officer V; Manager, Administrative Department; Chief Accountant, Accounting Department; Former Deputy Administrator; and payee		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.
Sub-total – CO (15 NDs)			2,659,760	
A.2. PBOs				
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, there being no appeal filed to the Regional Director within the reglementary period. 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 and CP <i>en banc</i> Resolution dated November 9, 2015. 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.

ND No./Date	Persons Liable	Nature	Amount	Status
				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 issued dated November 10, 2013. Copy of COE cannot be located by the PBO concerned.
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 issued dated November 10, 2013. Copy of COE cannot be located by the PBO concerned.
				The amount disallowed was P1,150,000 with settlement of P911,900.
20-001-(19)/11/20/2020	NTA Ilocos Norte employees	PBO 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 employees	PBO 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 employees	PBO 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 employees	PBO Payment of salary differential.	68,303	With NFD dated June 7, 2021 and corresponding COE dated April 22, 2022.
Sub-total – PBOs (10 NDs)			3,479,378	
Total – CO and PBOs (25 NDs)			6,139,138	
B. NDs with CP Decision				
B.1. CO				
14-005(2013)/11/18/2014	Former Acting Administrator; Former Manager, Finance Department; Former Manager, Administrative Department; Chief Accountant; and payee	Purchase of 14 units vendo-machines and packs of coffee and chocolate.	350,000	With NFD issued in CY 2023 on COA Decision No. 2022-194 dated January 24, 2022.
Sub-total – CO (1 ND)			350,000	
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-	Reimbursable expenses of former NTA private legal counsel	40,895	With ASB Decision No. 2012-012 dated April 12, 2012 which affirmed the CGS-C Cluster Decision No. 2010-007 dated

ND No./Date	Persons Liable	Nature	Amount	Status
	DASS and former private legal counsel			October 6, 2010 where 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 Cluster Decision No. 2010-007 dated October 6, 2010 where appeal was denied. The amount disallowed was P69,000 with partial settlement of P23,000.
Sub-total – CO (2 NDs)			86,895	

D. NDs with Cluster V Decision

D.1. CO

2016-004 (2012)/ 02/29/2016	Former Administrator; Finance Department; former HRMO V and officers and employees	OIC- Manager, Department; former Administrative Department; NTA	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.	399,603	Under Corporate Government Audit Sector (CGAS) Cluster V Decision No. 2022-009 dated March 28, 2022, the Appeal was denied and the payment of longevity pay totaling P608,043 was sustained with modification to reflect the correct amount of P399,603. With NFD issued in CY 2023. With partial settlement amounting to P23,100 under NSSDC No. 2023-004-NTA-NCR dated May 31, 2023.
Sub-total – CO (1 ND)			399,603		

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.
Sub-total – Branch (1 ND)			30,000	

F. NDs with Petition for Review with the CP/Cluster Decision for Automatic Review by the CP

F.1. CO

10-009(10)/ 11/02/2010	Manager, Administrative Department and former concurrent Administrator; Former Finance Manager; Budget Officer V; Former Chief	The contract cost on the interior improvements made at COA-NTA office was excessive as per Technical Evaluation	210,671	With petition for review filed with the CP.
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ND No./Date	Persons Liable	Nature	Amount	Status
	Accountant; Chief, Administrative Services; and payee	Report dated August 26, 2010.		
13-009-101 (2012)/ 11/22/2013	Acting Administrator; Manager, Administrative Department; Accountant; Administrative Services Division; and payees	Payment of Educational Assistance Incentive Benefit (EAIB) for CY 2012.	1,859,831	With petition for review filed with the CP.
2015-002(10)/ 07/29/2015	Manager, Administrative Department and former concurrent OIC-Administrator; Former Finance Manager; Budget Officer V; Former Chief Accountant; 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 filed with the CP.
2016-02 (2012)/ 02/26/2016	Former OIC-Administrator; Manager, Finance Department; Budget Officer V; and Manager, Administrative Department and payee	Payment of monetization of leave credits without approved budget in CY 2012 COB from DBM.	1,926,202	For automatic review of the CP.
2016-003 (2012)/ 02/26/2016	Former OIC-Administrator; Manager, Finance Department; Budget Officer V; Chief Accountant; Manager, Administrative Department; Former HRMO V and NTA officers and employees	Payment of Anniversary Bonus during the 25th year Anniversary of NTA has no approved budget from DBM.	255,000	For automatic review of the CP.
2016-005 (2012)/ 02/26/2016	Former OIC-Administrator, Manager, Finance Department; Budget 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 of the CP.
2016-07 (15)/ 06/24/2016	Former OIC-Administrator; Manager, Finance Department; Budget 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 filed with the CP.

ND No./Date	Persons Liable	Nature	Amount	Status
2016-08(12 and 13)/07/19/2016	Former OIC-Administrator, Manager, Administrative Department/Bids and Awards (BAC) Chairman; five BAC members and three payees	Per Technical Evaluation Report dated May 12, 2016 of the COA Appraisal Team, Technical Service Office (TSO), 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 of the CP.
Sub-total – CO (8 NDs)			13,486,797	
F.2. PBOs				
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 filed with the CP.
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 filed with the CP.
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 filed with the CP.
13-001-101(2012)/11/26/2013	Officials concerned and employees of NTA Cagayan PBO	Payment of EAIB for CY 2012.	265,770	With petition for review filed with the CP.
13-001-10111/26/2013	Officials and employees concerned of NTA Isabela PBO	Payment of EAIB for CY 2012.	944,069	With petition for review filed with the CP.
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 filed with the CP.
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 filed with the CP.
Sub-total – Branches (7 NDs)			4,334,805	
Total – CO and Branches (15 NDs)			17,821,602	
GRAND TOTAL (45 NDs)			P 24,827,238	

II. Notice of Suspension (NS)

NS No./Date	Persons Responsible	Nature	Amount	Status
NS No 22-001/12/14/2022	OIC Chief Agriculturist; Senior TPRO; Agriculturist II; and	Lacks Cash Input Vouchers of 52 recipients of inputs for	P 22,575	

NS No./Date	Persons Responsible	Nature	Amount	Status
	Acting Administrative V of NTA Abra PBO	Vegetable Distribution CY 2021	Seed project	
GRAND TOTAL (1 NS)			P 22,575	

III. Notice of Charge (NC)

NC No./Date	Persons Liable	Nature	Amount	Status
16-02-(15)/ 05/03/2016	Former Executive Assistant IV; Department Manager; and five TPRO employees	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.	P 54,280	The amount charged was P135,014 with partial settlement of P80,734 as of December 31, 2022. With additional settlements amounting to P36,140, per NSSDC No. 2023-003-NTA-NCR/NC No. 16-02-(15) dated May 26, 2023. With NFD issued in CY 2023.
GRAND TOTAL (1 NC)			P 54,280	