



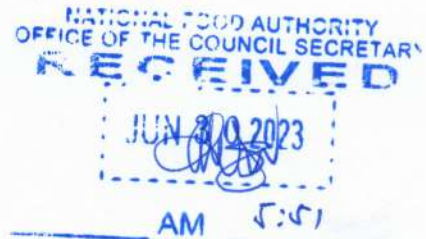
REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

June 30, 2023

THE NATIONAL FOOD AUTHORITY COUNCIL

NFA Compound, Visayas Avenue
Barangay VASRA, Diliman
Quezon City



GENTLEMEN/MESDAMES:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **National Food Authority (NFA)** for the years ended December 31, 2022 and 2021.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The existence in the financial statements of the Intra-agency receivables account in the amount of P1.552 billion which did not meet the definition of an asset under Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1, in view of the non-elimination at year-end of the Intra-agency receivables and payables accounts in the amounts of P17.838 billion and P16.286 billion, respectively, resulted in the overstatement of the total assets of P18.759 billion by P1.552 billion and Accumulated surplus/(deficit) account by the same amount as at December 31, 2022.
2. The Receivables-Other receivables-Due from officers and employees account in the amount of P1.517 billion as at December 31, 2022 included stock shortages of Stock Accountable Officers (SAOs) with total carrying amount of P1.333 billion which were not presented at their fair values due to non-computation of the tolerable allowance (TOLA) to determine the final accountabilities of the SAOs, thus resulted in the overstatement of the said account and Accumulated surplus/(deficit) account by undetermined amount, contrary to Paragraph 48 of IPSAS 29.

3. The faithful representation in the financial statements and verifiability of the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees, and Other receivables-other receivables accounts in the amounts of P36.950 million, P1.517 billion and P1.315 billion, respectively, as at December 31, 2022 were not established as these included accounts in the total amount of P454.096 million without supporting documents, contrary to Paragraphs 3.10 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting.

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

- 1.1. Direct the Central Office (CO) Finance Department and the Regional Offices (ROs)/Branch Offices (BOs) Finance Sections to:
 - a. Exert all efforts to fully eliminate the reciprocal accounts, Intra-agency receivables and payables, by conducting a nationwide reconciliation of the discrepancies to come up with a reliable financial statements at year-end;
 - b. Ensure that all adjustments are duly supported with proper and complete documentations;
 - c. Strictly adhere to NFA Standard Operating Procedure (SOP) No. FS-GP13, especially on the regular preparation and submission of: (i) Schedule of interbranch transactions, (ii) Reconciliation Statements, (iii) elimination and reconciling entries, and (iv) confirmation advices, as applicable, and to consistently coordinate with other offices to reconcile the discrepancies;
 - d. Revisit and update, if necessary, the existing NFA SOP on intra-agency transactions for uniformity in the application of the policies/guidelines by the CO, ROs and BOs due to NFA's structural changes under Republic Act (RA) No. 11203 or the Rice Tariffication Law; and
- 1.2. Make necessary representation with the COA Government Accountancy Sector (GAS) on how to eliminate/close the long outstanding Intra-agency accounts balances in the books in the absence of documents.
- 2.1. Instruct the Regional/Branch Managers concerned to direct the:
 - a. BOs Stock Examination Group and the ROs Regional TOLA Working Group to expedite the conduct of stock examination and TOLA computation on the stock shortages of the SAOs with available warehouse documents, to determine the final accountabilities of the SAOs recorded under Receivables-Other receivables-Due from officers and employees account; and
 - b. BOs' Finance Section to make necessary adjustments to recognize the fair values of the stock shortages of the SAOs recorded under Receivables-Other receivables-Due from officers and employees account based on final TOLA computation;

- 2.2. Consider adopting a policy to address the perennial issue on the unavailability of relevant documents for the conduct of stock examination on the stock shortages of the SAOs by the BOs Stock Examination Group and TOLA computation by the ROs Regional TOLA Working Group; and
- 2.3. Coordinate with the COA GAS to seek guidance on whether former SAOs' final stock shortages can be impaired considering the issue on accountability.
- 3.1. Direct the Finance Department and the Regional/Branch Managers concerned to require the Accounting Division of the CO and Finance Sections of the ROs/BOs to:
 - a. Exert all efforts in locating relevant records and documents, such as, Memoranda of Agreement (MOAs), Statements of Accounts (SOAs) and Billing Statements, Demand Letters, Warehouse Stock Issues (WSIs), and Subsidiary Ledgers (SLs), to substantiate the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees and Other receivables-other receivables accounts;
 - b. Fast track the reconciliation of the receivables accounts of the ROs/BOs against the records of the NFA CO;
 - c. Assess the collectability of the dormant receivables, if collection is determined to be no longer feasible, provide Allowance for impairment; and
 - d. Coordinate closely with the government offices concerned for possible reconciliation and/or collection of the outstanding receivables accounts.

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

4. In calendar year (CY) 2022, the NFA did not meet the optimum level of national rice buffer stocking requirement of 300,000 metric tons (MT) at any given time pursuant to NFA Council Resolution No. 999-2021-B dated February 16, 2021 issued in compliance with the Implementing Rules and Regulations (IRR) of RA No. 11203, despite the full receipt of the P7.000 billion government subsidy from the National Government, in view of, among others: (a) shortfall of 177,349 MT or 36.95 per cent of the targeted palay procurement of 480,000 MT; (b) inadequate information dissemination of the NFA's palay procurement program; (c) low number of palay buying stations and limited number of deployed mobile procurement teams to surplus producing areas during harvest seasons; and (d) revocation of various incentives to farmers, such as, the Cooperative Development Incentive Fund (CDIF), delivery fee, drying fee, and Buffer Stocking Incentive (BSI). The inability to maintain the required optimum level of national rice buffer stocking at any given time poses risk that NFA might not be able to effectively and immediately respond and provide the needs of the beneficiaries all over the country in times of emergency situations, and non-sustenance of the disaster relief programs of the government during natural or man-made calamities.

- 4.1. We recommended that top Management direct the officials concerned to ensure that the optimum level of national rice buffer stocking requirement of 300,000 MT is maintained at any given time by:
 - a. Intensifying the information dissemination on NFA palay procurement activities in the producing regions at the start of cropping season;
 - b. Strengthening the NFA's campaign on Palay Marketing Assistance Program for Legislators and Local Government Units (PALLGU) through meetings with the legislators and local chief executives to discuss the benefits thereof to their farmer-constituents to encourage them to participate in the program;
 - c. Coordinating with the Department of Agriculture (DA) and its affiliated agencies in-charge of administering the Rice Competitiveness Enhancement Fund (RCEF) and National Rice Program (NRP) on the feasibility of crafting a policy that would require the farmers to sell a certain volume of palay to the NFA, in conformity with the implementation of RA No. 11203;
 - d. Increasing the number of mobile procurement teams deployed in areas where harvesting is in progress;
 - e. Evaluating the performance of the ROs and BOs with low palay procurement accomplishments to determine the necessary assistance and measures needed so that they can meet their targets on palay procurement; and
 - f. Providing assistance and additional incentives to farmers to encourage them to sell their produce to the NFA.

5. Several provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification and good warehouse-keeping were still not observed at various NFA warehouses, which could result in environmental and health hazards and losses due to grain damage/deterioration in quality and value as well as theft/pilferage of stocks, considering the following deficiencies noted during the ocular inspection of NFA warehouses in Regions I, II, III, VI, VIII and XIII:
 - a. The floors with visible cracks were not filled with sealing compound or asphalt to prevent the accumulation of moist, dust, dirt, residue, and possible breeding area of insects, thus exposed the stored rice stocks to ground moisture and possible damage.
 - b. Doors or openings/vents of the warehouses were not installed with mesh wire and/or secondary screen doors or have damaged screen wires that rodents and birds could freely enter the warehouses, causing spillage, infestation and contamination of rice/palay stocks.
 - c. The roofs of several warehouses have leaks and holes, but in spite thereof, the areas are still being utilized.
 - d. Fire extinguishers inside the warehouses were already expired or lacking in some warehouses.

- e. Closed-circuit televisions (CCTVs) were not installed in some warehouses and other structures such, as watch towers, bridges and safety nets/screens were not properly utilized to monitor activities inside the warehouses.

5.1. We recommended that top Management direct the:

a. Branch Managers concerned to:

- a. 1 Address the deficiencies noted on warehouse custody, piling system, storage structure and specifications and good warehouse-keeping, and henceforth, require all concerned to comply strictly with the provisions of NFA SOP No. GM-WH07;
- a. 2 Instruct all Warehouse Supervisors (WSs) to immediately report in writing the defects on flooring, doors, windows, roofing and other parts of the warehouse;
- a. 3 Facilitate the immediate repair of the warehouse defects particularly the cracks on the floors, leaks and holes on the roofs, to prevent further warehouse deterioration and damage to the stocks, which could result in losses to NFA; and
- a. 4 Conduct regular inspection of warehouses to determine whether the warehouse personnel are complying with the good warehouse-keeping standards to avoid health hazards and losses due to deterioration of stocks and pilferages; and

b. Regional Managers concerned to:

- b. 1 Ensure that the NFA's engineering team are regularly fielded to conduct inspection of all facilities for early detection of physical defects/damages so that appropriate measures can be undertaken; and
- b. 2 Consider installing CCTVs and the immediate repair or replacement of damaged ones to monitor activities inside the NFA warehouses.

The observations together with the recommended courses of action which were discussed by the Audit Team with Management officials and staff concerned during the exit conference conducted on May 30, 2023 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' partially and unimplemented audit recommendations embodied in Part III of the Report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:


MAY LINDA M. VEGAFRIA
Director IV
Cluster Director

Copy furnished:

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The Vice President
The President of the Senate
The Speaker of the House of Representatives
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CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

June 30, 2023

Mr. RODERICO R. BISCO
Administrator
National Food Authority
NFA Compound, Visayas Avenue
Barangay VASRA, Diliman
Quezon City



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

Very truly yours,

COMMISSION ON AUDIT

By:


MAY LINDA M. VEGAFRIA
Director IV
Cluster Director

Copy furnished:

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The Vice President
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REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

NATIONAL FOOD AUTHORITY

For the Years Ended December 31, 2022 and 2021

EXECUTIVE SUMMARY

INTRODUCTION

The National Grains Authority (NGA) was created under Presidential Decree (PD) No. 4 dated September 26, 1972, otherwise known as the National Grains Industry Development Act, with the mandate of promoting the integrated growth and development of the grains industry covering rice, corn, feed grains, and other grains like sorghum, mongo and peanut; providing food security in the staple cereals in times and places of calamity or emergency, natural or man-made; and promoting the stabilization of supply and prices of staple cereals both at the farm gate and consumer levels.

On January 14, 1981, PD No. 1770 reconstituted the NGA into the National Food Authority (NFA or “the Authority”) and widened the Authority’s social responsibilities and commodity coverage to include, in addition to grains, other food items like raw or fresh fruits and vegetables and fish and marine, manufactured, processed or packaged food products, which were collectively referred to as non-grains commodities.

On May 31, 1985, Executive Order (EO) No. 1028 was issued to deregulate the NFA’s non-grains marketing activities. This resulted in the termination of the NFA’s non-grains trading activities and the return of feed grains and wheat importation to the private sector as well as the lifting of price controls/ceilings on rice and corn.

Pursuant to EO No. 116 dated January 30, 1987, the NFA was detached from the Office of the President (OP) of the Philippines and was realigned under the Department of Agriculture (DA) to respond to policy changes with emphasis on private sector participation towards strengthening a freer, market-oriented enterprise economy and tend towards liberalization, privatization and deregulation.

Under EO No. 398 dated January 31, 1997, the NFA was tasked to undertake procurement of sugar when necessary. Further, EO No. 22 issued in September 1998, authorized the NFA to perform marketing operation of other basic food items.

On May 5, 2014, pursuant to EO No. 165, the NFA, together with the National Irrigation Administration (NIA), Philippine Coconut Authority (PCA), and Fertilizer and Pesticide Authority (FPA), were transferred from DA to the OP of the Philippines to enhance and coordinate their efforts in fulfilling their respective mandates. These agencies were under the oversight supervision of the then Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) of the OP of the Philippines. Under EO No. 1 dated June 30, 2016, the NFA, among other agencies under the OPAFSAM, was reassigned to the Office of the Cabinet Secretary of the OP of the Philippines. EO No. 1, Series of 2016 was amended by EO No. 62 dated September 17, 2018, which authorized the transfer of the NFA, PCA, and FPA, back to the DA.

In accordance with Republic Act (RA) No. 11203, *An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice and for Other Purposes*, dated February 14, 2019, the NFA’s function was limited to buffer stocking. The law took away the NFA’s commercial functions and regulatory powers. The corresponding Implementing Rules and Regulations (IRR), published on April 8, 2019, mandated the NFA to maintain sufficient rice buffer stock to be sourced

solely from local farmers in response to the emergencies and in support of disaster relief programs of the government.

On January 7, 2020, in compliance with the IRR of RA No. 11203, the Governance Commission for Government-Owned or Controlled Corporations (GCG) *En Banc* approved the restructuring plan of the NFA through GCG Memorandum Circular (MC) No. 2019-13. As approved in Item 3, Annex A of the said GCG MC, the NFA has 22 organizational units in the Central Office (CO), 15 Regional Offices (ROs), and 45 Branch Offices (BOs), formerly Provincial Offices, nationwide with corresponding 2,644 plantilla positions. As of December 31, 2022, the NFA had 2,146 employees in service, 182 and 1,964 of which were assigned at CO and Field Offices (FOs), respectively.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2022	2021 (As restated)	Increase/ (Decrease)
Assets	18,758,800,994	21,938,650,381	(3,179,849,387)
Liabilities	142,039,515,894	145,623,219,038	(3,583,703,144)
Equity deficiency	(123,280,714,900)	(123,684,568,657)	403,853,757

II. Comparative Financial Performance

	2022	2021 (As restated)	Increase/ (Decrease)
Revenue	7,239,055,558	10,441,537,794	(3,202,482,236)
Current operating expenses	14,982,422,125	20,249,403,061	(5,266,980,936)
Deficit from current operations	(7,743,366,567)	(9,807,865,267)	2,064,498,700
Other non-operating income	95,394,130	132,095,158	(36,701,028)
Gains	18,562,233	9,085,432	9,476,801
Losses	(174,247,355)	(221,147,202)	46,899,847
Financial assistance/subsidy	9,204,142,000	14,464,815,000	(5,260,673,000)
Net surplus for the period	1,400,484,441	4,576,983,121	(3,176,498,680)

III. Comparison of Budget and Actual Amounts

	Budget	Utilization	Difference
Personnel services	1,851,000,000	1,532,949,678	318,050,322
Maintenance and other operating expenses	41,051,142,000	36,891,316,392	4,159,825,608
Capital outlay	711,514,000	249,895,059	461,618,941
Financial expenses	1,769,000,000	1,770,157,979	(1,157,979)
	45,382,656,000	40,444,319,108	4,938,336,892

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and financial transactions of the NFA for the period January 1 to December 31, 2022 in accordance

with the International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of the presentation of the financial statements for the years ended December 31, 2022 and 2021. Our audit was also made to assess compliance with laws, rules, and regulations, as well as, adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of presentation of the financial statements in view of the following:

1. The existence in the financial statements of the Intra-agency receivables account in the amount of P1.552 billion which did not meet the definition of an asset under Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1, in view of the non-elimination at year-end of the Intra-agency receivables and payables accounts in the amounts of P17.838 billion and P16.286 billion, respectively, resulted in the overstatement of the total assets of P18.759 billion by P1.552 billion and Accumulated surplus/(deficit) account by the same amount as at December 31, 2022.
2. The Receivables-Other receivables-Due from officers and employees account in the amount of P1.517 billion as at December 31, 2022 included stock shortages of Stock Accountable Officers (SAOs) with total carrying amount of P1.333 billion which were not presented at their fair values due to non-computation of the tolerable allowance (TOLA) to determine the final accountabilities of the SAOs, thus resulted in the overstatement of the said account and Accumulated surplus/(deficit) account by undetermined amount, contrary to Paragraph 48 of IPSAS 29.
3. The faithful representation in the financial statements and verifiability of the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees, and Other receivables-other receivables accounts in the amounts of P36.950 million, P1.517 billion and P1.315 billion, respectively, as at December 31, 2022 were not established as these included accounts in the total amount of P454.096 million without supporting documents, contrary to Paragraphs 3.10 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting.

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

- 1.1. Direct the CO Finance Department and the ROs/BOs Finance Sections to:
 - a. Exert all efforts to fully eliminate the reciprocal accounts, Intra-agency receivables and payables, by conducting a nationwide reconciliation of the discrepancies to come up with a reliable financial statements at year-end;
 - b. Ensure that all adjustments are duly supported with proper and complete documentations;

- c. Strictly adhere to NFA Standard Operating Procedure (SOP) No. FS-GP13, especially on the regular preparation and submission of: (i) Schedule of interbranch transactions, (ii) Reconciliation Statements, (iii) elimination and reconciling entries, and (iv) confirmation advices, as applicable, and to consistently coordinate with other offices to reconcile the discrepancies;
 - d. Revisit and update, if necessary, the existing NFA SOP on intra-agency transactions for uniformity in the application of the policies/guidelines by the CO, ROs and BOs due to NFA's structural changes under RA No. 11203 or the Rice Tariffication Law; and
- 1.2. Make necessary representation with the COA Government Accountancy Sector (GAS) on how to eliminate/close the long outstanding Intra-agency accounts balances in the books in the absence of documents.
- 2.1. Instruct the Regional/Branch Managers concerned to direct the:
 - a. BOs Stock Examination Group and the ROs Regional TOLA Working Group to expedite the conduct of stock examination and TOLA computation on the stock shortages of the SAOs with available warehouse documents, to determine the final accountabilities of the SAOs recorded under Receivables-Other receivables-Due from officers and employees account; and
 - b. BOs' Finance Section to make necessary adjustments to recognize the fair values of the stock shortages of the SAOs recorded under Receivables-Other receivables-Due from officers and employees account based on final TOLA computation;
- 2.2. Consider adopting a policy to address the perennial issue on the unavailability of relevant documents for the conduct of stock examination on the stock shortages of the SAOs by the BOs Stock Examination Group and TOLA computation by the ROs Regional TOLA Working Group; and
- 2.3. Coordinate with the COA GAS to seek guidance on whether former SAOs' final stock shortages can be impaired considering the issue on accountability.
- 3.1. Direct the Finance Department and the Regional/Branch Managers concerned to require the Accounting Division of the CO and Finance Sections of the ROs/BOs to:
 - a. Exert all efforts in locating relevant records and documents, such as, Memoranda of Agreement (MOAs), Statements of Accounts (SOAs) and Billing Statements, Demand Letters, Warehouse Stock Issues (WSIs), and Subsidiary Ledgers (SLs), to substantiate the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees and Other receivables-other receivables accounts;
 - b. Fast track the reconciliation of the receivables accounts of the ROs/BOs against the records of the NFA CO;

- c. Assess the collectability of the dormant receivables, if collection is determined to be no longer feasible, provide Allowance for impairment; and
- d. Coordinate closely with the government offices concerned for possible reconciliation and/or collection of the outstanding receivables accounts.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

- 4. In CY 2022, the NFA did not meet the optimum level of national rice buffer stocking requirement of 300,000 metric tons (MT) at any given time pursuant to NFA Council Resolution No. 999-2021-B dated February 16, 2021 issued in compliance with the IRR of RA No. 11203, despite the full receipt of the P7.000 billion government subsidy from the National Government, in view of, among others: (a) shortfall of 177,349 MT or 36.95 per cent of the targeted palay procurement of 480,000 MT; (b) inadequate information dissemination of the NFA's palay procurement program; (c) low number of palay buying stations and limited number of deployed mobile procurement teams to surplus producing areas during harvest seasons; and (d) revocation of various incentives to farmers, such as, the Cooperative Development Incentive Fund (CDIF), delivery fee, drying fee, and Buffer Stocking Incentive (BSI). The inability to maintain the required optimum level of national rice buffer stocking at any given time poses risk that NFA might not be able to effectively and immediately respond and provide the needs of the beneficiaries all over the country in times of emergency situations, and non-sustenance of the disaster relief programs of the government during natural or man-made calamities.
 - 4.1. We recommended that top Management direct the officials concerned to ensure that the optimum level of national rice buffer stocking requirement of 300,000 MT is maintained at any given time by:
 - a. Intensifying the information dissemination on NFA palay procurement activities in the producing regions at the start of cropping season;
 - b. Strengthening the NFA's campaign on Palay Marketing Assistance Program for Legislators and Local Government Units (PALLGU) through meetings with the legislators and local chief executives to discuss the benefits thereof to their farmer-constituents to encourage them to participate in the program;
 - c. Coordinating with the DA and its affiliated agencies in-charge of administering the Rice Competitiveness Enhancement Fund (RCEF) and National Rice Program (NRP) on the feasibility of crafting a policy that would require the farmers to sell a certain volume of palay to the NFA, in conformity with the implementation of RA No. 11203;
 - d. Increasing the number of mobile procurement teams deployed in areas where harvesting is in progress;

- e. Evaluating the performance of the ROs and BOs with low palay procurement accomplishments to determine the necessary assistance and measures needed so that they can meet their targets on palay procurement; and
 - f. Providing assistance and additional incentives to farmers to encourage them to sell their produce to the NFA.
5. Several provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification and good warehouse-keeping were still not observed at various NFA warehouses, which could result in environmental and health hazards and losses due to grain damage/deterioration in quality and value as well as theft/pilferage of stocks, considering the following deficiencies noted during the ocular inspection of NFA warehouses in Regions I, II, III, VI, VIII and XIII:
- a. The floors with visible cracks were not filled with sealing compound or asphalt to prevent the accumulation of moist, dust, dirt, residue, and possible breeding area of insects, thus exposed the stored rice stocks to ground moisture and possible damage.
 - b. Doors or openings/vents of the warehouses were not installed with mesh wire and/or secondary screen doors or have damaged screen wires that rodents and birds could freely enter the warehouses, causing spillage, infestation and contamination of rice/palay stocks.
 - c. The roofs of several warehouses have leaks and holes, but in spite thereof, the areas are still being utilized.
 - d. Fire extinguishers inside the warehouses were already expired or lacking in some warehouses.
 - e. Closed-circuit televisions (CCTVs) were not installed in some warehouses and other structures such, as watch towers, bridges and safety nets/screens were not properly utilized to monitor activities inside the warehouses.
- 5.1. We recommended that top Management direct the:
- a. Branch Managers concerned to:
 - a. 1 Address the deficiencies noted on warehouse custody, piling system, storage structure and specifications and good warehouse-keeping, and henceforth, require all concerned to comply strictly with the provisions of NFA SOP No. GM-WH07;
 - a. 2 Instruct all Warehouse Supervisors (WSs) to immediately report in writing the defects on flooring, doors, windows, roofing and other parts of the warehouse;

- a. 3 Facilitate the immediate repair of the warehouse defects particularly the cracks on the floors, leaks and holes on the roofs, to prevent further warehouse deterioration and damage to the stocks, which could result in losses to NFA; and
- a. 4 Conduct regular inspection of warehouses to determine whether the warehouse personnel are complying with the good warehouse-keeping standards to avoid health hazards and losses due to deterioration of stocks and pilferages; and
- b. Regional Managers concerned to:
 - b. 1 Ensure that the NFA's engineering team are regularly fielded to conduct inspection of all facilities for early detection of physical defects/damages so that appropriate measures can be undertaken; and
 - b. 2 Consider installing CCTVs and the immediate repair or replacement of damaged ones to monitor activities inside the NFA warehouses.

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2022, the total unsettled audit suspensions, disallowances and charges amounted to P29.626 million, P184.029 million and P2.352 million, respectively, as summarized in Table 15, Part II of the Report and the details and status are presented in **Annex A** of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 174 audit recommendations embodied in prior years' Annual Audit Reports, 50 were reiterations of prior years' recommendations, hence, deleted from the Status. Of the remaining 124 recommendations, 24 were fully implemented; 70 were partially implemented; 7 were not implemented; and 23 were closed as the recommendations are no longer doable, the details are presented in Part III of this Report.

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

INDEPENDENT AUDITOR'S REPORT

THE NATIONAL FOOD AUTHORITY COUNCIL

National Food Authority
NFA Compound, Visayas Avenue
Barangay VASRA
Diliman, Quezon City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the **National Food Authority (NFA)**, 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 and possible effects of the matters described in the *Bases for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of the NFA, as at December 31, 2022 and 2021, and its financial performance, changes in net assets/equity, and cash flows for the years then ended, in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified Opinion

The existence in the financial statements of the Intra-agency receivables account in the amount of P1.552 billion which did not meet the definition of an asset under Paragraph 7 of IPSAS 1, in view of the non-elimination at year-end of the Intra-agency receivables and payables accounts in the amounts of P17.838 billion and P16.286 billion, respectively, resulted in the overstatement of the total assets of P18.759 billion by P1.552 billion and Accumulated surplus/(deficit) account by the same amount as at December 31, 2022. Likewise, the Receivables-Other receivables-Due from officers and employees account in the amount of P1.517 billion as at December 31, 2022 included stock shortages of Stock Accountable Officers (SAOs) with total carrying amount of P1.333 billion which were not presented at their fair values due to non-computation of the tolerable allowance to determine the final accountabilities of the SAOs, thus resulted in the overstatement of the said account and Accumulated surplus/(deficit) account by undetermined amount, contrary to Paragraph 48 of IPSAS 29.

Moreover, the faithful representation in the financial statements and verifiability of the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees, and Other receivables-other receivable accounts in the amounts of

P36.950 million, P1.517 billion and P1.315 billion, respectively, as at December 31, 2022 were not established as these included accounts in the total amount of P454.096 million without supporting documents, contrary to Paragraphs 3.10 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NFA 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.

Other Matters

In our report dated June 30, 2022, we expressed an adverse opinion on the fairness of presentation of the financial statements as at and for the years ended December 31, 2021 and 2020 in view of the: (a) non-elimination of the Intra-agency receivables and payables accounts as at December 31, 2021 in the amounts of P22.348 billion or 53.53 per cent of the total assets of P41.744 billion and P20.384 billion or 12.28 per cent of the total liabilities of P165.919 billion, respectively, which could not be considered as assets and liabilities as defined under Paragraph 7 of IPSAS 1; and (b) the faithful representation in the financial statements and the verifiability of the balance of Accumulated surplus/(deficit) account amounting to P(129.175) billion were not established in view of the net adjustments amounting to P2.873 billion recognized in calendar year (CY 2021) Statement of Changes in Net Assets/Equity, which were not substantiated due to non-submission of the Journal Entry Vouchers (JEVs) and other pertinent documents.

In CY 2022, Management had exerted efforts in the significant reduction of the balances of the Intra-agency receivables and payables accounts. In CY 2021 and prior years, the full balances of the Intra-agency receivables and payables accounts as at December 31 were presented in the Statement of Financial Position as assets and liabilities, respectively. However, since these accounts can neither be considered as assets nor liabilities as defined in Paragraph 7 of IPSAS 1, Management restated the CY 2021 financial statements and presented the net amount of P2.686 billion between the balances of the Intra-agency receivables and Intra-agency payables as asset in the Statement of Financial Position as at December 31, 2021. Likewise, the net adjustments in the Accumulated surplus/(deficit) account amounting to P2.873 billion were already substantiated by the submission of the JEVs supported by pertinent documents. Consequently, our present opinion on the CY 2021 restated financial statements as presented herein is already qualified concerning these matters.

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

Management is responsible for the preparation and fair presentation of these 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 NFA'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 NFA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NFA'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 NFA'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 NFA'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 disclosure 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 NFA 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 37 to financial statements 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 NFA.

COMMISSION ON AUDIT



RADITO G. CHING
Supervising Auditor
Audit Group A – NFA/Food Terminal, Inc.
Cluster 5 - Agriculture and Natural Resources
Corporate Government Audit Sector

May 30, 2023



NATIONAL FOOD AUTHORITY

Visayas Avenue, Barangay VASRA, Diliman, Quezon City 1128

www.nfa.gov.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **National Food Authority (NFA)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, 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 misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the NFA'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 NFA or to cease operations, or has no realistic alternative to do so.

The NFA Council is responsible for overseeing the NFA's financial reporting process.

The NFA Council reviews and approves the financial statements, including the schedules attached therein, and submits the same to the regulators, creditors and other users.

The Commission on Audit, through its authorized representative, has examined the financial statements of the NFA 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 Accounting Standards of Supreme Audit Institutions and the auditor, in its report to the NFA Council, has expressed its opinion on the fairness of presentation upon completion of such audit.

LEOCADIO S. SEBASTIAN, Ph.D.

*Undersecretary for Rice Industry Development,
Department of Agriculture and
Alternate Chairperson, NFA Council*

RODERICO R. BICO

*Administrator, National Food Authority and
Vice-Chairperson, NFA Council*

LOLITA O. SANEDRIN

*Department Manager,
Finance Department*

Signed this 30th day of March, 2023



NATIONAL FOOD AUTHORITY
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	7	3,976,700,285	2,775,852,646
Financial assets	8	386,850,088	401,914,922
Receivables, net	9	3,865,283,269	3,983,999,901
Intra-agency receivables, net	10	1,552,262,362	2,686,107,178
Inventories, net	11	4,224,203,368	7,446,574,223
Other current assets	12	135,378,987	249,274,304
		14,140,678,359	17,543,723,174
Non-current assets			
Financial assets	13	516,740,224	516,822,881
Investment property	14	18,002,980	18,016,800
Property, plant and equipment, net	15	2,934,525,630	2,681,769,716
Intangible assets	16	3,372,973	3,394,628
Other non-current assets	12	1,145,480,828	1,174,923,182
		4,618,122,635	4,394,927,207
TOTAL ASSETS		18,758,800,994	21,938,650,381
LIABILITIES			
Current liabilities			
Financial liabilities	17	29,068,622,722	52,119,648,905
Inter-agency payables	18	108,046,761,416	84,381,048,973
Trust liabilities	19	756,491,131	1,054,234,951
Deferred credits/uneared income	20	927,703	-
		137,872,802,972	137,554,932,829
Non-current liabilities			
Financial liabilities	17	3,503,330,237	7,476,736,181
Deferred credits/uneared income	20	108,914,827	107,924,342
Provisions	21	554,467,858	483,625,686
		4,166,712,922	8,068,286,209
TOTAL LIABILITIES		142,039,515,894	145,623,219,038
EQUITY DEFICIENCY (Total Assets less Total Liabilities)		(123,280,714,900)	(123,684,568,657)
EQUITY DEFICIENCY			
Contributed capital	34	5,000,000,329	5,000,000,329
Accumulated surplus/(deficit)	33	(128,280,715,229)	(128,684,568,986)
EQUITY DEFICIENCY		(123,280,714,900)	(123,684,568,657)

The notes on pages 11 to 80 form part of these financial statements.

NATIONAL FOOD AUTHORITY
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	22	7,219,184,802	10,441,537,794
Shares, grants and donations	23	19,870,756	-
		7,239,055,558	10,441,537,794
Current operating expenses			
Personnel services	24	1,495,926,463	1,418,823,596
Maintenance and other operating expenses	25	1,520,433,757	1,980,301,354
Financial expenses	26	2,060,199,555	2,765,759,565
Direct costs	27	9,620,130,555	13,835,389,722
Non-cash expenses	28	285,731,795	249,128,824
		14,982,422,125	20,249,403,061
Surplus/(Deficit) from current operations		(7,743,366,567)	(9,807,865,267)
Other non-operating income	29	95,394,130	132,095,158
Gains	30	18,562,233	9,085,432
Losses	31	(174,247,355)	(221,147,202)
Subsidy from national government	32	9,204,142,000	14,464,815,000
NET SURPLUS FOR THE PERIOD		1,400,484,441	4,576,983,121

The notes on pages 11 to 80 form part of these financial statements.

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

	Accumulated surplus/(deficit) (Note 33)	Contributed capital (Note 34)	Total
BALANCE AT JANUARY 1, 2021	(135,617,389,064)	5,000,000,329	(130,617,388,735)
ADJUSTMENTS			
Add/(Deduct):			
Changes in accounting policy	(105,700,375)	-	(105,700,375)
Prior period errors	(95,061,848)	-	(95,061,848)
Other adjustments	137,079,669	-	137,079,669
BALANCE AT JANUARY 1, 2021, as restated	(135,681,071,618)	5,000,000,329	(130,681,071,289)
CHANGES IN NET ASSETS/EQUITY FOR CY 2021			
Add/(Deduct):			
Surplus for the period, as restated	4,576,983,121	-	4,576,983,121
Other adjustments	2,419,519,511	-	2,419,519,511
BALANCE AT DECEMBER 31, 2021, as restated	(128,684,568,986)	5,000,000,329	(123,684,568,657)
CHANGES IN NET ASSETS/EQUITY FOR CY 2022			
Add/(Deduct):			
Surplus for the period	1,400,484,441	-	1,400,484,441
Other adjustments	(996,630,684)	-	(996,630,684)
BALANCE AT DECEMBER 31, 2022	(128,280,715,229)	5,000,000,329	(123,280,714,900)

The notes on pages 11 to 80 form part of these financial statements.

NATIONAL FOOD AUTHORITY
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		26,569,248,537	35,974,489,249
Receipt of assistance/subsidy	32	9,204,142,000	14,464,815,000
Collection of income/revenues		6,716,315,313	9,813,625,179
Other receipts		599,920,752	606,567,849
Trust receipts		478,858,626	602,337,069
Collection of receivables		219,728,256	106,771,291
Receipt of inter-agency fund transfers		43,405,000	12,110,874
Adjustments		32,399,192	60,544,350
		43,864,017,676	61,641,260,861
Cash Outflows			
Release of intra-agency fund transfers		26,600,393,538	36,028,275,483
Purchase of inventories		4,799,438,019	7,921,641,876
Payment of expenses		2,010,509,109	3,551,847,490
Grant of cash advances		1,481,120,128	1,324,863,180
Payment of accounts payable		1,254,118,147	904,623,445
Remittance of personnel benefit contributions and mandatory deductions		694,190,069	746,362,379
Other disbursements		154,234,722	154,545,864
Refund of deposits		31,882,449	37,637,915
Adjustments		28,534,785	44,508,672
Prepayments		2,900,268	3,305,601
Release of inter-agency fund transfers		1,058,549	655,575
Grant of financial assistance/subsidy		-	65,000
		37,058,379,783	50,718,332,480
Net cash provided by operating activities		6,805,637,893	10,922,928,381
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from matured/return of investments		19,985,952	-
Proceeds from sale/disposal of property, plant and equipment		3,618,184	836,552
Receipt of interest earned		18,783	634
Proceeds from sale of investment property		-	444,295,736
Proceeds from sale of other assets		-	1,466,848
		23,622,919	446,599,770
Cash Outflows			
Purchase/construction of property, plant and equipment		243,315,936	269,791,308
Grant of loans		164,000	-
Purchase/construction of investment property		-	189,662
Purchase of intangible assets		-	1,026,647
Adjustments		479,725	-
		243,959,661	271,007,617
Net cash provided by/(used in) investing activities		(220,336,742)	175,592,153
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from domestic and foreign loans		-	1,098,469,925
		-	1,098,469,925
Cash Outflows			
Payment of long-term liabilities		3,913,601,096	9,736,262,363
Payment of interest on loans and other financial charges (BTr/NG debt)		1,479,761,308	2,533,681,650
		5,393,362,404	12,269,944,013
Net cash (used in) financing activities		(5,393,362,404)	(11,171,474,088)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,191,938,747	(72,953,554)
Effects of exchange rate changes on cash and cash equivalents		8,908,892	5,726,094
CASH AND CASH EQUIVALENTS, January 1	7	2,775,852,646	2,843,080,106
CASH AND CASH EQUIVALENTS, December 31	7	3,976,700,285	2,775,852,646

The notes on pages 11 to 80 form part of these financial statements.

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

	Note	Budgeted amounts		Actual amounts on comparable basis	Difference final budget and actual
		Original	Final		
RECEIPTS					
Service and business income		8,217,000,000	8,217,000,000	6,887,750,013	1,329,249,987
Assistance and subsidy		7,000,000,000	7,000,000,000	7,000,000,000	-
Others		60,920,000,000	30,912,142,000	27,894,744,684	3,017,397,316
		76,137,000,000	46,129,142,000	41,782,494,697	4,346,647,303
PAYMENTS					
Personnel services		1,851,000,000	1,851,000,000	1,532,949,678	318,050,322
Maintenance and other operating expenses		2,452,000,000	2,292,000,000	1,252,622,923	1,039,377,077
Capital outlay		1,298,000,000	711,514,000	249,895,059	461,618,941
Financial expenses		1,769,000,000	1,769,000,000	1,770,157,979	(1,157,979)
Others - payment of obligations		59,356,000,000	29,348,142,000	28,887,790,890	460,351,110
Others - procurement costs		9,411,000,000	9,411,000,000	6,750,902,579	2,660,097,421
		76,137,000,000	45,382,656,000	40,444,319,108	4,938,336,892
NET RECEIPTS	36	-	746,486,000	1,338,175,589	(591,689,589)

The notes on pages 11 to 80 form part of these financial statements.

NATIONAL FOOD AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The National Food Authority (NFA or “Authority”) was originally created under the name of National Grains Authority (NGA) through Presidential Decree (PD) No. 4 dated September 26, 1972 and became the NFA through PD No. 1770 dated January 14, 1981, with the original mandate to promote the integrated growth and development of the grains industry; to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made; and stabilize supplies and prices of staple cereals both at the farm gate and consumer levels.

On May 12, 1975, PD No. 699 mandated the Authority to perform other functions, such as the development, culture or production of grains, and the establishment, acquisition and/or operations of grains processing, handling storage and transport facilities.

On June 11, 1978, PD No. 1485 further amended certain provisions of the National Grains Industry Development Act. The law was known as the NGA Act.

On January 14, 1981, PD No. 1770 reconstituted the NGA into what is now the NFA. The decree widened the Authority’s social responsibilities and commodity coverage to include other food items like raw or fresh fruits and vegetables and fish and marine manufactured, processed or packaged food products.

On May 31, 1985, Executive Order (EO) No. 1028 deregulated the NFA’s non-grains marketing activities, that resulted in the termination of the NFA’s non-grains trading activities. The feed/grains and wheat importation was returned to the private sector and the price controls/ceilings on rice and corn was lifted. At the end of Calendar Year (CY) 1986, all the Kasama sa Diwa (KADIWA) stores were closed.

On January 30, 1987, EO No. 116 detached the NFA from the Office of the President (OP) of the Philippines and was put under the Department of Agriculture (DA) to respond to policy changes.

Pursuant to EO No. 398 dated January 31, 1997, the NFA was mandated to procure sugar, if necessary. Furthermore, in September 1998, EO No. 22 authorized the NFA to include other basic food items in its operation.

On May 5, 2014, EO No. 165 transferred the NFA to the OP of the Philippines, under the oversight of the Office of Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM).

On June 30, 2016, EO No. 1 reassigned the NFA to the Office of the Cabinet Secretary of the OP of the Philippines, while on September 17, 2018, EO No. 62 transferred the NFA back to the DA.

Prior to Republic Act (RA) No. 11203, the NFA was mandated to ensure food security and stability of supply and price of the staple food of the country.

On February 14, 2019, RA No. 11203 or *The Rice Tariffication Law* titled, *An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice, and For Other Purposes*, removed the quantitative restriction (QR) on rice imports and replaced it with a general tariff.

On March 5, 2019, under Rule 3.1 of the Implementing Rules and Regulations (IRR) of the Act, the NFA's regulation and importation functions were removed, while retaining its mandate of ensuring food security through buffer stocking to be sourced solely from local farmers in response to emergencies and in support of disaster relief programs of the government.

The IRR also provides that the NFA submit to the Governance Commission for Government-Owned or Controlled Corporations (GCG) a Restructuring or Reorganization Plan which is responsive to the requirement of the NFA to execute its key function of managing buffer stocks and ensuring its financial stability. Also, an organizational modification plan on the transfer of Food Development Center (FDC) from the NFA to the DA took effect on December 31, 2019.

On January 7, 2020, the Restructuring Plan of the NFA was approved, per GCG Memorandum No. 2019-13.

Previously, the NFA had 15 Regional Offices (ROs) and 86 Provincial Offices (POs). Under the GCG-approved NFA Restructuring/Reorganizational Plan, the 15 ROs have been maintained and the 86 POs have been reduced to 45 Branch Offices (BOs) with authorized plantilla positions of 2,644. As of December 31, 2022, there were 2,146 employees in service, of whom 182 and 1,964 were assigned at the Central Office (CO) and Field Offices (FOs), respectively.

The NFA CO is located at the NFA Compound, Visayas Avenue, Barangay VASRA, Diliman, Quezon City, Philippines.

The financial statements of the NFA as at and for the years ended December 31, 2022 and 2021 were authorized for issue on March 30, 2023 as shown in the Statement of Management's Responsibility for Financial Statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the NFA have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs) and the accounting policies have been consistently applied throughout the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statements of Cash Flows have been prepared using the direct method.

The financial statements are presented in Philippine Peso, which is also the country's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements have been prepared on an accrual basis in accordance with the IPSASs.

3.2 Financial Instruments

a. *Financial assets*

i. Initial recognition and measurement

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

The NFA's financial assets include Cash and cash equivalents; Trade and Non-trade receivables.

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

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.

3. Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the NFA has the positive intention and ability to hold it to maturity. After initial

measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus/deficit.

iii. Derecognition

The NFA derecognizes a financial asset or, where applicable, a part of a financial asset or part of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. The NFA 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 entity 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 NFA 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 entity determines the classification of its financial liabilities at initial recognition.

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

The NFA determines the classification of its financial liabilities at initial recognition.

The NFA's financial liabilities include Accounts payable, Due to officers and employees, Notes payable, Interest payable, and Loans payable - domestic and foreign.

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 as 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.

This category includes derivatives instruments not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or deficit. [IPSAS 29.10, IPSAS 41.45(a), IPSAS 41.101]

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 as 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.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

c. *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when, and only when, there is a currently enforceable legal right to offset the recognized amounts and there is an intention either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. (IPSAS 28.47)

d. *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash deposits in banks. Cash on hand includes cash with collecting officers and petty cash. For the purpose of the Statements of Cash Flows, Cash and cash equivalents consist of cash and short-term deposits.

3.4 Provision for Allowance for Impairment – Accounts Receivable

Allowance for impairment - Accounts receivable was set at a level adequate to provide for potential uncollectible amount of receivables derived from the computations based on percentages and aging of Accounts receivable as follows: 25 per cent for accounts aged one year to less than two years, 50 per cent for accounts aged two years to less than three years, 75 per cent for accounts aged three years but less than four years and 100 per cent for accounts aged four years and above.

3.5 Inventories

i. Initial recognition and measurement

The cost of inventories shall comprise all costs of purchase, costs of conversion (materials, labor and overhead) and other costs incurred in bringing the inventories to their present location and condition, excluding

abnormal amounts of wasted materials, labor, other production and selling costs, administrative overheads that do not contribute to bringing inventories to their present location and condition. Trade discounts, rebates, and other similar items are deducted in determining the costs of purchase. (Paragraphs 18, 19 and 25, IPSAS 12)

Inventories held for consumption of the NFA are 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.

ii. Subsequent measurement

Inventories shall be measured at the lower of cost and net realizable value. However, where inventories are acquired through a non-exchange transaction, their costs shall be measured at their fair value as at the date of acquisition. (Paragraphs 15-16, IPSAS 12)

iii. Cost formulas

The weighted average method shall be used for costing inventories. This method calls for the re-calculation of the average cost of all items in stock after every purchase. Therefore, the weighted average cost is the total cost of all units subsequent to the latest purchase, divided by their total number of units available.

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

3.6 Investment Property

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 costs 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 date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over their estimated useful life. (No buildings were reclassified. Hence, no useful estimated useful life was used for subsequent measurement.)

Investment properties are derecognized either when they have been disposed of or when the investment property 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 a change in use.

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

3.7 Property, Plant and Equipment (PPE)

a. Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. 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 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:

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

When significant parts of PPE are required to be replaced at intervals, the NFA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/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.

i. Initial recognition of depreciation

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

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight-line method of depreciation is adopted.

iii. Estimated useful life

The NFA uses the Schedule on the estimated useful life of PPE by classification under NFA Standard Operating Procedure (SOP) No. FSGP21 dated September 07, 2004, which is also within the prescribed schedule prepared by the Commission on Audit (COA).

iv. Residual value

The NFA uses a residual value equivalent to at least five 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 service amount.

f. Derecognition

The NFA 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 Intangible Assets

a. Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

b. Development costs

Development costs on an individual project are recognized as intangible assets when the NFA can demonstrate:

- i. the technical feasibility of completing the asset so that the asset will be available for use;
- ii. its intention to complete and its ability to use or sell the asset;
- iii. how the asset will generate future economic benefits or service potential;
- iv. the availability of resources to complete the asset; and
- v. the availability to measure reliably the expenditure during development.

3.9 Changes in Accounting Policies and Estimates

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

The NFA 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.

3.10 Foreign Currency Transactions

Foreign currency liabilities are booked up at peso equivalent at the time of availment. Payments are taken up at current foreign exchange (FOREX) rate. Gain or loss on FOREX is recognized and charged to current operations. Outstanding loan and dollar bank account balances at the end of the year are restated using the Bangko Sentral ng Pilipinas (BSP) closing rate at the last banking day of the year and any gain/loss is recorded accordingly.

3.11 Revenue from Non-Exchange Transactions

a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset is recognized as an asset if the following criteria are met:

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

b. Recognition 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 NFA 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 entity, 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 NFA 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 were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, revenue is recognized immediately. If conditions were attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied.

On initial recognition, gifts and donations including goods in-kind were measured at their fair value as at the date of acquisition, which were 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 value is ascertained by reference to quoted prices in an active and liquid market.

f. Transfers

The NFA 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. Services in-kind

Services in-kind were not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

h. Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets were 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 NFA 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 NFA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. *Fines and penalties*

The NFA recognizes revenue from fines and penalties on the late deliveries of items purchased through local purchases when earned.

d. *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 net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

e. *Dividends*

Dividends or similar distributions are recognized when the NFA's right to receive payments is established.

3.13 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

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

The annual budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

3.14 Borrowing Costs

For loans borrowed directly by the NFA, the allowed alternative treatment is used.

3.15 Employees' Benefits

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

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

3.16 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 and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include e.g., the useful life of capital assets, estimated employee benefits, rates for amortization, impairment of assets, liability for contaminated sites, etc. 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 uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. CHANGES IN ACCOUNTING POLICIES

The NFA adopted the following new accounting policies:

Adoption of the Revised Chart of Accounts (RCA) for Government Corporations (GCs) classified as Non-Government Business Enterprises (Non-GBEs), per COA Circular No. 2015-010 dated December 1, 2015.

The NFA is already adopting the use of the RCA for GCs classified as non-GBEs with an eight-digit account coding structure.

The accounts were reclassified in conformity with the RCA prescribed under COA Circular No. 2015-010 dated December 01, 2015 and COA Circular No. 2016-006 dated December 29, 2016. The NFA has been using the RCA since CY 2017.

The accounts were also reclassified according to the Updated RCA for GCs (CY 2019) per COA Circular No. 2020-002 dated January 28, 2020.

For CY 2022, the NFA implemented the COA Circular No. 2022-004 dated May 21, 2022 relative to the increase in the capitalization threshold of tangible items from P15,000 to P50,000 as provided in Section 23 of the General Provisions of RA No. 11639, also known as the General Appropriations Act (GAA) for Fiscal Year (FY) 2022.

5. RISK MANAGEMENT AND MAJOR ACCOMPLISHMENTS

Risk Management Framework presents information about the NFA's exposure to risks, and the NFA's objectives, policies, and processes for measuring and managing those risks.

5.1. Risk Management Framework

The NFA Council, through the Audit and Risk Management Committee, has the overall responsibility for the establishment and oversight of the NFA's risk management framework. Section 7 – Mandate and Responsibility for the NFA's Performance of NFA's Code of Corporate Governance, sufficiently provides that the NFA Council is responsible for providing policy directions, monitoring, and overseeing Management actions, as articulated in its Charter per PD No. 4 and other relevant legislations, rules, and regulations.

In view of the foregoing and in accordance with the GCG Memorandum Circular (MC) No. 2012-07 (Code of Corporate Governance and Section 16 of Code of Corporate Governance Resolution No. 75-2014-K), the NFA Council has created the NFA's Executive Committee; Audit and Risk Management Committee; and Governance, Nomination and Remunerations Committee, where each committee is composed of at least three (3) members knowledgeable in audit, accounting and finance, while the Executive Committee is headed by the Administrator, plus three other members who shall serve on ad-hoc basis (Resolution No. 77-2k3). The three members shall be called upon by the Chairman depending on the agenda where their line of interest and expertise are required.

The Audit and Risk Management Committee (with at least one member having a background in finance and investment) is specifically responsible for the following:

- a. The Audit and Risk Management Committee shall advise the NFA Council of the NFA's overall current and future risk appetite, oversee the NFA Management's adherence to the risk appetite statement, and report on the state of risk culture of the NFA.
- b. Oversee adherence to the NFA's risk appetite. The Committee shall ensure that the current and emerging risk exposures are consistent with the strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.
- c. Ensure that the risk mitigating measures and strategies of the NFA are consistent with its social mandate of supporting sustainable agricultural development.

- d. Provide oversight over the NFA Management's activities in managing the following risks:
- Credit;
 - Market;
 - Liquidity;
 - Operational;
 - Legal;
 - Reputational; and
 - Other risks of the NFA.
- e. Oversee and ensure establishment of a Risk Management Framework to be used as a guidepost for decision-making and review of the NFA's controls/mitigating measure and risk management system. The Committee shall ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans.
- Review, approve, and endorse to the NFA Council the Risk Management Policy, Framework, and Plan. Oversee implementation of the policy and plan, review and revise, as needed.
- Oversee implementation of and ensure adherence to the Risk Management Policy as well as review and revise the policies by reviewing and evaluating the steps the NFA Management has taken to monitor and control risk exposures to ensure its continued relevance, comprehensiveness, and effectiveness.
- f. Identify the risks and approve corresponding risk policy measures recommended by the NFA Management to avoid/mitigate/transfer risks associated with the exercise of the NFA's mandated function to maintain rice buffer stocks for emergency purposes.
- g. Oversee the NFA crisis management, which shall include receiving from Management periodic information on risk exposures and risk management activities.
- h. Endorse to the NFA Council and appropriate Committees concerned the selection/appointment, remuneration, and removal of a Chief Risk Officer (CRO) and "risk champions" for the NFA.
- i. Review and approve the performance evaluation of the CRO and "risk champions."
- j. The selected CRO shall be generally responsible for the following:
- i. Assist the Audit and Risk Management Committee in the:
 - Identification and evaluation of risks;
 - Establishment of a team of "risk champions" for the relevant risks identified for the organization; and

- Development of a Risk Management Policy, Framework, and Plan to and Mitigate and manage risks for NFA.
- ii. In coordination with the "risk champions", propose a Risk Management Policy, Framework, and Plan for the NFA.
- k. The Committee shall ensure that the risk management function has adequate resources to effectively oversee the risk-taking activities of the NFA.
- l. Monitor and review of accomplishments relative to the risk management plans of the NFA.
- m. Provide quarterly reporting and updating the Council on key risk management issues as well as ad hoc operating and evaluation on investments proposals.

5.2. Material Risk Factors and Measures to Manage Risks

The financial risks of the NFA centers on the losses incurred in carrying out its mandate of buying in the farm level at a set price and distributing at a subsidized price. To minimize losses, action plans being proposed under the NFA Reform Agenda include the adoption of a new pricing policy, where the possibility of selling the NFA rice at full costs or near market rates, are being considered. Ultimately, the NFA will push for the transfer of all its debts to the National Government through legislation.

Operational risks involve prioritizing the procurement of domestically produced palay for its buffer stocking/food security stocks. There is no move yet from the government to increase the present government support price considering that at its present level, the farmers are still receiving reasonable returns on their investment. The prevailing high farm prices are favorable to the Filipino farmers. Operational reforms consider procuring in top surplus/producing areas, including far-flung areas, where private traders have limited operational activity. This will, accordingly, augment the deficiency in buffer stocks.

Risks on stocks inventory maintained by the NFA are addressed through regular quality monitoring to maintain its good and consumable condition, applying sound inventory management, monitoring and control through adoption of an Information Technology (IT) System, and construction of climate change resilient warehouses, far from flood prone areas. The NFA also conducts semi-annual audit of stocks, adherence to documentation requirements, and accountabilities of warehouse officers, so that proper liquidations can be made.

5.3. NFA's Major Remarkable Accomplishments

a. Buffer Stock Management

The NFA:

- Maintained an average rice inventory of 140,354 Metric Tons (MT), good to last for about 4.18 days rice supply, based on the average daily consumption requirement (DCR) of 33,586 MT.

- Procured 63.05 per cent of the target procurement of 480,000 MT equivalent to about 302,651 MT despite the higher farm price of palay, traders intensified procurement strategies, palay deliveries not passing the NFA's standard quality specifications, and erratic weather conditions, thereby stopping or slowing down the flow of goods and movement of people.
- Distributed 93 per cent of the target distribution of 300,750 MT equivalent to 278,600 MT. Total rice released for calamity/relief responses at 40,490 MT constitutes 14.53 per cent of the total rice sales, where about 44 per cent of this volume or 17,777 MT are released exclusively for Coronavirus Disease 2019 (COVID-19) relief operations of government agencies and institutions.

The average ex-farm price of palay in CY 2022 at P17.43 per kilogram (kg), increased by 4.00 per cent as compared to CY 2021 level of P16.76 per kg.

The prevailing average retail price of Well-Milled Rice (WMR) in CY 2022 placed at P43.77/ per kg, up by P1.33 per kg or 3.13 per cent as compared to the last year's figure of P42.44 per kg. For Regular Milled Rice (RMR), the national prevailing average retail price of P39.43 per kg in CY 2022 has significantly increased by P1.83 per kg or 4.87 per cent against the P37.60 per kg recorded in CY 2021.

During emergencies and calamities, 1,825 requests for rice releases were done within the prescribed 48-hour turnaround time. This was accomplished through the vigilance and readiness to serve 24/7 of the Operations Centers in the affected areas and at the CO.

About 99.997 per cent of the NFA stocks were maintained in good consumable condition as a result of the NFA's good warehouse keeping practices and adherence to "6-3 Protocol", which shortens the storage period to six (6) months maximum storage for palay and three (3) months critical storage for rice to keep the quality of the NFA stocks in fresh/good condition.

b. Facility Management

To boost the Authority's buffer stock management program and palay procurement activities, the NFA undertook the following:

- i. 90.15 per cent Completion of the construction of one 100 Thousand Bags Capacity (TBC) warehouse with warehouse supervisor's office and site development in Region IV located in NAWACO Compound, San Roque II, San Jose, Occidental Mindoro.
- ii. Acquisition of 21 units of 6TPB mechanical dryers with biomass furnace/diesel fired burner, drying shed and power supply and 12 units dryer shed.
- iii. Four units of Rice Fortification Equipment (RFE) amounting to P20 million delivered, installed and for pilot testing in Regions II, III, IV and National Capital Region (NCR).

- iv. Acquired 19 units of geotagging equipment amounting to P0.418 million for efficient, reliable, and real time monitoring of implementation of projects and development of technical requirements and plans for agricultural machineries and post-harvest facilities.

c. Finance and Administration

- The outstanding loans as of December 31, 2022 amounted to P136.859 billion.
- Government subsidy is P7.000 billion (*Note 32*) for the exclusive purpose of purchasing palay from local farmers. 83 per cent or P5.785 billion was disbursed for the year.
- Collected dormant account amounting to P176.178 million pesos from the National Disaster Risk Reduction and Management Council (NDRRMC).
- Collected rental income from leased office space from the new NFA building to other government agencies amounting to P34.156 million.

As the government gradually loosened the implementation of the community quarantine, the NFA transitioned work arrangements from having set at 50 per cent workforce reporting to the office and the other 50 per cent work from home (WFH), to full time (100 per cent workforce reporting to the office), while still complying with the safety protocols.

ISO 9001-2015 Certification was obtained by the NFA Ilocos RO and the NFA La Union BO.

Revised the NFA Information Systems Strategic Plan (ISSP) 2021-2023 for amendment and approval of the Department of Information and Communications Technology (DICT).

Completed the competency assessment for all the NFA officials for the improvement of the 2022 Competency Baseline.

6. PRIOR PERIOD ADJUSTMENTS

Fundamental adjustments affecting nominal accounts in prior years were recognized using Accumulated surplus/(deficit) account. The NFA 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 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.

Thus, the following financial statements as at and for the year ended December 31, 2021 were restated to this effect as follows:

6.1 Restated Statement of Financial Performance for the year ended December 31, 2021

Accounts	2021 (As previously reported)	Prior Years (PY) Adjustments	2021 As restated	Note
Revenue				
Service and business income	10,281,202,934	160,334,860	10,441,537,794	22.1
Total revenue	10,281,202,934	160,334,860	10,441,537,794	
Current operating expenses				
Personnel services	1,425,278,684	(6,455,088)	1,418,823,596	24.5
Maintenance and other operating expenses	1,783,445,718	196,855,636	1,980,301,354	25.14
Financial expenses	2,773,788,820	(8,029,255)	2,765,759,565	26.1
Direct costs	13,637,101,649	198,288,073	13,835,389,722	27.1
Non-cash expenses	177,006,604	72,122,220	249,128,824	28.4
Total current operating expenses	19,796,621,475	452,781,586	20,249,403,061	
Surplus/(deficit) from current operations	(9,515,418,541)	(292,446,726)	(9,807,865,267)	
Other non-operating income	130,286,794	1,808,364	132,095,158	29.1
Gains	9,115,765	(30,333)	9,085,432	30.1
Losses	(224,370,508)	3,223,306	(221,147,202)	31.1
Surplus/(deficit) before tax	(9,600,386,490)	(287,445,389)	(9,887,831,879)	
Income tax expense	-	-	-	
Surplus/(deficit) after tax	(9,600,386,490)	(287,445,389)	(9,887,831,879)	
Subsidy from national government	14,464,815,000	-	14,464,815,000	
Net surplus/(deficit) for the period	4,864,428,510	(287,445,389)	4,576,983,121	

6.2 Restated Statement of Financial Position as at December 31, 2021

Accounts	2021 (As previously reported)	PY Adjustments	2021 As restated	Note
ASSETS				
Current assets				
Cash and cash equivalents	2,778,322,198	(2,469,552)	2,775,852,646	7.1
Financial assets	401,914,922	-	401,914,922	
Receivables, net	4,026,557,813	(42,557,912)	3,983,999,901	9.1
Intra-agency receivables	22,347,741,311	(19,661,634,133)	2,686,107,178	10.3
Inventories	7,393,870,807	52,703,416	7,446,574,223	11.1
Other current assets	249,387,426	(113,122)	249,274,304	12.1
Total current assets	37,197,794,477	(19,654,071,303)	17,543,723,174	
Non-current assets				
Financial assets	516,822,881	-	516,822,881	
Investment property	5,985,040	12,031,760	18,016,800	14.2
PPE	2,843,931,622	(162,161,906)	2,681,769,716	15
Intangible assets	3,394,628	-	3,394,628	
Other non-current assets	1,175,590,976	(667,794)	1,174,923,182	12.1
Total non-current assets	4,545,725,147	(150,797,940)	4,394,927,207	
Total Assets	41,743,519,624	(19,804,869,243)	21,938,650,381	

Accounts	2021 (As previously reported)	PY Adjustments	2021 As restated	Note
LIABILITIES				
Current liabilities				
Financial liabilities	52,165,308,569	(45,659,664)	52,119,648,905	17.1
Inter-agency payables	84,213,786,687	167,262,286	84,381,048,973	18.1
Intra-agency payables	20,384,124,703	(20,384,124,703)	-	10.3
Trust liabilities	1,056,498,973	(2,264,022)	1,054,234,951	19.1
Total current liabilities	157,819,718,932	(20,264,786,103)	137,554,932,829	
Non-current liabilities				
Financial liabilities	7,476,736,181	-	7,476,736,181	
Deferred credits/unearned income	113,435,009	(5,510,667)	107,924,342	20.2.1
Provisions	509,037,462	(25,411,776)	483,625,686	21.1
Total non-current liabilities	8,099,208,652	(30,922,443)	8,068,286,209	
Total Liabilities	165,918,927,584	(20,295,708,546)	145,623,219,038	
Net assets (Total Assets less total Liabilities)	(124,175,407,960)	490,839,303	(123,684,568,657)	
EQUITY DEFICIENCY				
Government equity				
Accumulated surplus/(deficit)	(129,175,408,289)	490,839,303	(128,684,568,986)	33
Contributed capital	5,000,000,329	-	5,000,000,329	
EQUITY DEFICIENCY	(124,175,407,960)	490,839,303	(123,684,568,657)	

7. CASH AND CASH EQUIVALENTS

This account consists of the following:

	Note	2022	2021 As restated
Cash on hand	7.2	1,424,959	14,630,206
Cash in bank - local currency	7.3	3,868,411,893	2,663,083,640
Cash in bank - foreign currency	7.4	106,863,433	98,138,800
		3,976,700,285	2,775,852,646

7.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Cash and cash equivalents for CY 2021 were restated as follows:

Particulars	Amount
Cash and cash equivalents, December 31, 2021	2,778,322,198
Restatements:	
Cash – collecting officers	300
Petty cash	17,885
Cash in bank – local currency, current account	(2,487,078)
Cash in bank – local currency, savings account	(659)
Total restatements	(2,469,552)
Cash and cash equivalents, December 31, 2021, as restated	2,775,852,646

7.2 Cash on Hand

This account represents the undeposited collection in the custody of collecting officer as of the last working day of the accounting period, December 31. This also includes petty cash fund balance for Maintenance and Other Operating Expenses (MOOE) as at year-end.

7.3 Cash in Bank - Local Currency

This account includes current and savings accounts that are deposited in various banks of CO, ROs and BOs such as Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), Philippine National Bank (PNB), United Coconut Planters Bank (UCPB), and One Network Bank (ONB). This account consists of General Operating Fund (GOF), Cereal Procurement Fund (CPF), Rice Collection Account (RCA), Miscellaneous Collection Account, trust accounts and e-Gov accounts.

GOF account is used for general and regular transactions of the office, while CPF account is mainly used for palay procurement. For the RCA, it is where all sales of rice are deposited and transferred to NFA CO RCA.

7.4 Cash in Bank – Foreign Currency

Cash in bank - foreign currency is a dollar savings account deposited in LBP – NFA Branch. The foreign currency account amounting to \$1,916,661 is revaluated using the December 31, 2022 closing rate of P55.755/\$1.00 from the BSP. While the December 31, 2021 balance of \$1,924,328 was revaluated using December 31, 2021 closing rate of P50.999/\$1.00 from the same source.

8. FINANCIAL ASSETS

8.1 Reconciliation of Current Investments

	Time Deposit	Other Investment	Total
Balance, January 1, 2022	171,129,669	230,785,253	401,914,922
Increase in investment due to discount/interest earned during the period	2,356,174	2,578,992	4,935,166
Withdrawal		(20,000,000)	(20,000,000)
Balance, December 31, 2022	173,485,843	213,364,245	386,850,088

8.2 Investment in Time Deposits

Investment in the amount of P173,485,843 is an investment in time deposit of Corn Development Fund (CDF) placed in DBP which consists of 90 days at 1.80 per cent in the amount of P16,278,106 and 365 days at 3 per cent in the amount of P157,207,737.

8.3 Other Investments

	2022	2021
LBP Trust – building	178,364,611	176,027,482
DBP Trust – building	34,999,634	54,757,771
	213,364,245	230,785,253

Other investments pertain to investment entered into with the LBP - Trust Banking Group (LBP-TBG) and DBP-TBG on June 20, 2016 for the exclusive use of construction of NFA CO building. The trustees have discretionary authority to invest the maximum 83 per cent of fund in high yielding government securities and the 17 per cent of the fund shall serve as BSP reserves and non-interest bearing. The decrease was due to payment of final billing of Legazpi Premium Development Corporation for the completion of the construction of NFA new building.

9. RECEIVABLES

This account consists of the following:

	Note	2022	2021 As restated
Accounts receivable	9.2	36,950,071	167,216,954
Loans receivable	9.4	18,658,819	21,641,061
Lease receivables	9.5	347,957	-
Inter-agency receivables	9.6	916,393,930	892,422,535
Other receivables	9.7	2,892,932,492	2,902,719,351
		3,865,283,269	3,983,999,901

9.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Receivables accounts for CY 2021 were restated as follows:

Particulars	Amount
Receivables, December 31, 2021	4,026,557,813
Restatements:	
Accounts receivable	52,556,013
Loans receivable-others	(93,345)
Due from national government agencies (NGAs)	198,750
Due from other government corporations	(2,608,375)
Receivables-disallowances/charges	9,209,066
Due from officers and employees	(71,919,787)
Other receivables	(29,900,234)
Total restatements	(42,557,912)
Receivables, December 31, 2021, as restated	3,983,999,901

9.2 Accounts Receivable

	2022	2021 As restated
NGAs	403,123,382	542,987,525
Local government units (LGUs)	121,794,420	141,713,282
Private corporations (PCs)	12,357,274	7,698,937
Farmers	4,843,638	4,848,003
Government owned and controlled corporations (GOCCs)	4,105,898	3,359,909
Employees	433,774	1,212,815
Retailer	428,886	257,530
Erap Sari-Sari Store (ESSS) operators	24,233	26,631
<i>Less: Allowance for impairment</i>	<i>(510,161,434)</i>	<i>(534,887,678)</i>
	36,950,071	167,216,954

Accounts receivables pertain to trade receivables representing rice releases on account to NGAs, LGUs, GOCCs, PCs, retailers, ESSS operators, employees, and farmers.

9.3 Aging of Accounts Receivable

	Total	Current		Past Due		
		Less than 90 days	91-365 days	Over 1 year	Over 2 years	Over 3 years
NGAs	403,123,382	18,545,211	-	-	174,632	384,403,539
LGUs	121,794,420	-	-	-	80,000	121,714,420
GOCCs	4,105,898	-	-	-	-	4,105,898
PCs	12,357,274	142,097	-	-	-	12,215,177
Retailer	428,886	-	-	2,500	-	426,386
ESSS Operators	24,233	-	-	-	-	24,233
Employees	433,774	50,000	-	31,239	-	352,535
Farmers	4,843,638	-	-	-	-	4,843,638
	547,111,505	18,737,308	-	33,739	254,632	528,085,826
<i>Allowance for impairment</i>	<i>(510,161,434)</i>	<i>-</i>	<i>-</i>	<i>(8,435)</i>	<i>(127,316)</i>	<i>(510,025,683)</i>

Accounts receivable consists mainly of dormant accounts. Thus, the NFA provided an Allowance for impairment based on collectability of receivable balances and evaluation of factors such as aging of accounts and collection experiences.

9.4 Loans Receivable

	2022	2021 As restated
Japan International Cooperation Agency (JICA)	2,423,356	2,415,672
<i>Allowance for impairment</i>	<i>(598,457)</i>	<i>(590,773)</i>
	1,824,899	1,824,899
Private Sector Mechanization Scheme (PSMS)	6,794,634	6,866,591
<i>Allowance for Impairment</i>	<i>(3,115,705)</i>	<i>(3,147,449)</i>
	3,678,929	3,719,142
Post-Harvest Facilities (PHF)	1,038,416	1,038,416
<i>Allowance for impairment</i>	<i>(881,793)</i>	<i>(881,793)</i>
	156,623	156,623
Farm Level Grains Center (FLGC)	17,736,785	20,559,860
<i>Allowance for impairment</i>	<i>(4,738,417)</i>	<i>(4,619,463)</i>
	12,998,368	15,940,397
Loans receivable - net	18,658,819	21,641,061

The JICA account pertains to assistance project availed by qualified farmers' organizations in the country for the purpose of making available post-harvest facilities. The NFA and the JICA aim to provide farmers' organizations with post-harvest facilities to reduce grains losses, post-harvest cost, and to shorten the time period for the various on-farm operations, thereby assisting farmers' organizations in venturing into profitable gains, marketing businesses, increasing the level of farm income and the living standards of the beneficiaries.

The PSMS was one of the projects of the then Agro-Processing and Marketing Project Office (APMPO), an NFA special project. Under this project, farmers from selected areas/provinces were given the opportunity to avail of a loan in the form of single pass rice mills, dryers, drying silos, and truck scales. The loan is payable in ten semi-annual amortizations for a period of five years secured by either real estate mortgage and/or chattel mortgage.

The PHF program aims to help farmers' organizations acquire post-harvest facilities of their preferred brand, at reasonable prices and with easy payment terms. The provision of PHF is envisioned to reduce grains losses, lessen post-harvest cost, and shorten the time period for the various in-farm operations.

The FLGC is a soft loan designed for farmers' organizations who have shown or exhibited strong capability in palay trading activities and potential to integrate processing and marketing activities. The FLGC provides for the acquisition of post-harvest facilities such as storage (warehouse), rice mills, dryers, trucks and other auxiliary equipment, which are critical to the success of the business venture.

9.5 Lease Receivables

	2022	2021
Operating lease receivables	347,957	-
<i>Allowance for impairment</i>	-	-
	347,957	-

9.6 Inter-Agency Receivables

	Note	2022	2021 As restated
Due from NGAs, net	9.6.a.	694,918,574	695,363,665
Due from LGUs	9.6.b.	14,641,948	14,641,948
Due from GOCCs	9.6.c.	206,833,408	182,416,922
		916,393,930	892,422,535

a. Due from NGAs account consists of the following:

	2022	2021 As restated
Department of Transportation (DOTr)	679,360,364	679,360,364
DA	10,669,408	10,669,408
Department of Social Welfare and Development (DSWD)	4,449,234	4,449,381
Department of Interior and Local Government (DILG)	854,030	854,030
Department of Budget and Management (DBM)	725,784	228,606
Department of Education (DepEd)	22,650	22,650
Department of Finance (DOF)	17,470	363,868
Bureau of the Treasury (BTr)	126	-
Anti-Red Tape Authority (ARTA)	-	355,476
Bureau of Internal Revenue (BIR)	-	41,624
Office of the Civil Defense (OCD)	-	198,750
<i>Less: Allowance for impairment</i>	<i>(1,180,492)</i>	<i>(1,180,492)</i>
Due from NGAs, net	694,918,574	695,363,665

Due from DOTr account includes receivable from DOTr-Philippine National Railways (PNR) pertaining to the sale of three (3) parcels of land located at Meycauayan, Bulacan for the construction of North-South Railway Project. The total contract price was P925,417,400; 50 per cent payment was made to CO on August 16, 2021 per Official Receipt (OR) No. O-0492551 amounting to P444,295,736 - net of real property tax. Demand Letter was already sent to DOTR-PNR dated October 28, 2022 requesting for the payment of the remaining balance.

b. Due from LGUs account consists of the following:

	2022	2021
Nueva Ecija	13,478,718	13,478,718
Pampanga	708,029	708,029
Aurora	400,000	400,000
Bukidnon	55,201	55,201
	14,641,948	14,641,948

Due from LGUs of Nueva Ecija and Bukidnon represent unliquidated balance from DA funded program for the Mechanical Dryer/Grains Procurement Enhancement Program (GPEP) Post-Harvest Facility Assistance Fund. Due from LGU Nueva Ecija also includes receivable arising from the sale of parcel of land in CY 1999.

Due from LGU Pampanga represents interest and penalty for late payment of rice loan. While the due from LGU Aurora account represents unliquidated project pertaining to the construction of warehouse in Dingalan, Aurora.

c. Due from other GOCCs

	2022	2021
		As restated
GSIS	170,905,990	146,482,204
Quedan Guarantee Fund Board (QGFB)	35,571,645	35,571,645
Philippine International Trading Corporation (PITC)	355,773	355,773
LBP	-	7,300
	206,833,408	182,416,922

In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Due from other GOCCs account for CY 2021 was restated as follows:

Particulars	Amount
Due from other GOCCs, December 31, 2021	185,025,297
Restatements:	
Due from other GOCCs-GSIS- Proceeds from damaged stocks	(2,608,375)
Total restatements	(2,608,375)
Due from other GOCCs, December 31, 2021, as restated	182,416,922

Due from GSIS account pertains to marine insurance, damaged in-warehouse stocks and property insurance claims of the NFA from government insurance agency.

Due from PITC account represents unclassified vessel surcharged pertaining to CY 2002 importation of 16,200 MT Indian long grain white rice which was unloaded in Cebu thru ex-vessel MV Chung Gin 2 in the amount of US\$7,034.85. A series of demand letters were made to collect the receivables.

Due from QGFB represents loan granted by the NFA to finance the construction of FLGC 1 and the Dryer Assistance Fund. The account has been outstanding since CY 2000. The NFA sent demand letter to Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) and they acknowledge their payable per their letter dated September 27, 2018. Accordingly, they cannot settle the obligation since the Corporation was subject for abolition pursuant to Memorandum Order No. 13 dated June 28, 2017.

The NFA requested updates on the liquidation plan on the settlement of obligations per letter dated October 18, 2018 and May 06, 2019.

9.7 Other Receivables

	Note	2022	2021 As restated
Due from officers and employees	9.7.a.	1,516,661,281	1,409,985,755
Receivables-disallowances/charges	9.7.b.	61,293,568	67,959,927
Other receivables	9.7.c.	1,314,977,643	1,424,773,669
		2,892,932,492	2,902,719,351

a. Due from officers and employees account consists of the following:

	2022	2021 As restated
Due from Stock Accountable Officers (SAOs):		
Without stock examination - past (Title I)	1,181,944,508	1,079,392,794
With COA examination (Title III)	161,753,379	161,753,379
For Tolerable Allowance (TOLA) computation (Title IV)	147,320,825	144,078,540
Stocks with unresolved appeal (Title VI)	116,106,687	116,352,073
Without stock examination - on-going (Title I)	54,896,341	46,759,606
Final shortages - still connected with NFA - grains (Title VII)	43,139,807	45,759,137
With management examination (Title II)	28,359,083	25,524,101
Cash shortage	17,841,031	17,852,317
Stocks with TOLA computation (Title V)	4,407,864	5,030,223
KADIWA shortage	1,304,434	1,467,578
Final shortages - still connected with NFA – Empty Sacks (MTS) (Title VII)	56,588	376,174
Final shortages - with resolved appeal - (Title VIII)	61,152	76,024
Refund of excess/overpayment of personnel services	553,185	629,940
Communications	64,795	87,549
Grainscor	27,032	27,032
Loss of fixed assets	26,769	26,769
Loss of supplies and materials	2,560	3,219
Educational loan assistance	3,026,962	3,087,167
Special loan assistance	366,056	583,215
Special loan assistance P20,000	395,915	712,533
Special Vehicle Loan Fund (SVLF)	1,742,655	1,999,600
<i>Less: Allowance for impairment</i>	<i>(246,736,347)</i>	<i>(241,593,215)</i>
	1,516,661,281	1,409,985,755

In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Due from officers and employees account for CY 2021 was restated as follows:

Particulars	Amount
Due from officers and employees, December 31, 2021	1,726,103,878
Allowance for impairment, December 31, 2021	(244,198,336)
Due from officers and employees, December 31, 2021	1,481,905,542
Restatements:	
Refund of excess/overpayment of personnel services	102,974
Communications	(346)
Loss of supplies and materials	659
NFA SAOs Accountabilities - For TOLA computation (Title IV)	(12,588,945)
NFA SAOs Accountabilities - Stocks with TOLA computation (Title V)	(1,335,124)
NFA SAOs Accountabilities - With management examination (Title II)	(3,507,968)
NFA SAOs Accountabilities - Without stock examination - Past (Title I)	(51,825,011)
NFA SAOs Accountabilities - Without stock examination - on-going (Title I)	(6,240,482)
Final shortages - still connected with NFA - grains (Title VII)	820,265

Particulars	Amount
Final shortages - still connected with NFA - MTS (Title VII)	26,726
Final shortages - with resolved appeal - no longer connected with NFA (Title VIII)	14,872
Educational loan assistance	(16)
Special loan assistance P20,000	7,489
Allowance for impairment	2,605,121
Total restatements	(71,919,786)
Due from officers and employees, December 31, 2021, as restated	1,409,985,755

Due from officers and employees account represents different collectibles from officers and employees such as educational loan, special loan assistance, special vehicle loan and receivables arising from cash shortages and loss of assets. This account also includes receivables from stock shortages from SAOs. Those who are still in service are paying regularly but at an amount based on their capacity to pay and some settled their obligations by entering into a compromise agreement. Those who are no longer in service were recommended for either filing of court action or write off if warranted.

Due from SAOs are categorized into:

- Without Examination (Past Accountabilities) - Include cases with proper cut-off but not yet 100 per cent examined and/or pending for examination.
- Without Examination (On-going Accountabilities) - Include cases with no cut-off of accountability yet with or without shortages set-up.
- With Management Examination – Include cases/accountabilities already encoded in the New Computerized Stock Examination and TOLA Computation System which are 100 per cent completed, the required certifications are already submitted, the inventory of accountable forms are properly accounted for, the computer generated examination and reports are already final, verified by Provincial Accountant and noted by the Branch Manager and forwarded or about to be forwarded to the concerned SAO for review and confirmation. Also include accountabilities with final examination or 100 per cent completed and the results are either shortage but considered auto-offset, or overage (therefore, no TOLA is computed).
- For TOLA Computation - Include cases/accountabilities submitted by BO to RO for TOLA computation.
- With TOLA Computation - Include cases/accountabilities wherein the result of TOLA computation is for review of the SAO and is under the 30 working days prescribed period to appeal.
- Final Shortages With/Without Resolved Appeal – No Longer Connected include cases/accountabilities of SAO no longer connected with the NFA wherein the TOLA computations (either with shortages or offset) were conducted either in the RO or CO and appeals resolved by the Regional Tolerable Allowance Committee (RTAC) or National Tolerable Allowance (NTAC). It also includes cases with shortages net of TOLA without appeal and/or the 30 working days prescribed period had lapsed.

b. Receivables-disallowances/charges account consists of the following:

	2022	2021 As restated
Food incentive	49,646,370	56,485,874
Allowances	1,863,835	1,892,235
Supplies and materials	1,625,262	1,629,171
Salaries and wages	460,614	409,921
Representation	434,568	434,568
Traveling	162,300	182,300
Hazard pay	52,000	130,875
Others	7,048,619	6,794,983
	61,293,568	67,959,927

In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Receivables-disallowances/charges account for CY 2021 was restated as follows:

Particulars	Amount
Receivables – disallowances/charges, December 31, 2021	58,750,861
Restatements:	
Allowances	648,400
Supplies and materials	9,997
Food incentive	8,416,052
Hazard pay	130,875
Others	3,742
Total restatements	9,209,066
Receivables-disallowances/charges, December 31, 2021, as restated	67,959,927

Receivables-disallowances/charges account pertains to the audit disallowances/charges such as salaries and allowances, food incentive, representation, supplies and materials and hazard pay, etc.

c. Other receivables account consists of the following:

	2022	2021 As restated
Final shortages - no longer connected with NFA (Title VIII)	1,595,561,783	1,596,980,294
Private institutions	186,490,145	199,129,447
NFA employees	57,507,537	57,913,861
Separated NFA employees	13,207,843	13,187,701
MTS receivable from other agencies/offices/organizations	2,825,978	3,646,428
Advances made by POs	1,838,596	1,861,259
COA personnel	1,013,267	1,018,267
Corn Marketing Assistance Program (CMAP)	4,719	4,719
Others	181,318	(1,247)
<i>Less: Allowance for impairment</i>	<i>(543,653,543)</i>	<i>(448,967,060)</i>
	1,314,977,643	1,424,773,669

In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Other Receivables account for CY 2021 was restated as follows:

Particulars	Amount
Other receivables – December 31, 2021	1,903,756,085
Allowance for impairment – December 31, 2021	(449,082,181)
Other receivables – net, December 31, 2021	1,454,673,904
Restatements:	
Private institutions	8,456,555
NFA employees	580,140
COA personnel	5,000
Final shortages - no longer connected with NFA (TITLE VIII)	(39,057,052)
Allowance for impairment-other receivables	115,122
Total restatements	(29,900,235)
Other receivables, December 31, 2021, as restated	1,424,773,669

Other receivables account comprises non-trade receivables from private institutions, corporations and individuals. This account also includes receivables from employees who were separated from service.

10. INTRA-AGENCY RECEIVABLES

10.1 Intra-agency receivables

	2022	2021 As restated
Due from Operating Units (OUs)	9,893,072,871	12,242,697,822
Due from CO	5,027,842,221	7,044,563,188
Due from RO	2,917,276,270	2,895,032,545
	17,838,191,362	22,182,293,555

10.2 Intra-agency payables

	2022	2021 As restated
Due to OUs	5,708,798,333	7,991,714,942
Due to CO	6,975,734,308	7,439,711,101
Due to RO	3,601,396,359	4,064,760,334
	16,285,929,000	19,496,186,377
Intra-agency receivables, net	1,552,262,362	2,686,107,178

10.3 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Intra agency receivables and Payables accounts for CY 2021 were restated as follows:

Particulars	Amount
Intra-agency receivables, December 31, 2021	22,347,741,311
Restatements:	
Intra-agency payables	(20,384,124,703)
Due from operating/field units	5,942,585
Due from central/home/head office	(156,323,780)
Due from ROs	(15,066,561)
Due to operating units/field units	1,041,334,575
Due to central/home/head office	(91,110,533)
Due to ROs	(62,285,716)
Total restatements	(19,661,634,133)
Intra-agency receivables, December 31, 2021, as restated	2,686,107,178

Intra-agency receivables account represents transfer of funds and other assets like supplies, inventories of rice, PPE, etc. for use in NFA CO, ROs and BOs and are recorded as receivable (Due from) by the issuing office and payable (Due to) by the receiving office.

Intra-agency payables account represents transfer of funds and other assets like supplies, inventories, equipment, etc. for use in NFA CO, ROs and BOs and are recorded as payable (Due to) by the receiving office and receivable (Due from) by the issuing office.

Reconciled intra-agency receivables/payables accounts are being closed/eliminated using Accumulated surplus/(deficit) account.

Decrease in Intra-agency receivables/payables accounts is attributed to religious monthly reconciliation and prioritization of reconciliation activities.

For the CY 2022, for financial statements presentation, these Intra-agency accounts were offset with a net balance of P1.552 billion in the Intra-agency receivables. These balances are still in the process of reconciliation.

11. INVENTORIES

This account consists of:

	Note	2022	2021 As restated
Inventory held for sale	11.2	2,021,943,626	2,582,752,882
Inventory held for manufacturing	11.3	1,821,610,182	4,511,233,764
Inventory held for consumption	11.4	372,358,345	349,808,195
Semi-expendable machinery and equipment	11.5	6,426,642	1,316,838
Semi-expendable furniture and fixtures	11.6	1,864,573	1,462,544
		4,224,203,368	7,446,574,223

11.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Inventories account for CY 2021 was restated as follows:

Particulars	Amount
Inventories, December 31, 2021	7,393,870,807
Restatements:	
Inventory held for sale	28,849,898
Inventory held for manufacturing	39,976,970
Inventory held for consumption	(14,130,033)
Semi-expendable machinery and equipment	(1,512,841)
Semi-expendable furniture and fixtures	(480,578)
Total restatements	52,703,416
Inventories, December 31, 2021, as restated	7,446,574,223

11.2 Inventory Held for Sale

	2022	2021 As restated
Merchandise inventory	2,039,435,389	2,592,411,178
<i>Allowance for impairment</i>	(17,491,763)	(9,658,296)
Merchandise Inventory, net	2,021,943,626	2,582,752,882

Merchandise inventory refers to rice inventory strategically and safely stored nationwide. This inventory is primarily intended as country's buffer stocks and for emergency relief operations.

11.3 Inventory Held for Manufacturing

	2022	2021 As restated
Raw materials inventory	1,758,625,176	4,325,523,041
<i>Allowance for impairment</i>	(58,728,360)	(10,995,099)
Raw materials, net	1,699,896,816	4,314,527,942
Work-in-process (WIP) inventory	121,713,366	196,705,822
	1,821,610,182	4,511,233,764

Raw materials inventory pertains to palay procured from local farmers which are safely kept in various NFA warehouses.

WIP inventory represents raw materials (palay) issued for milling which are still in-process as at the end of the accounting period.

The decrease in raw materials is due to decrease in procurement level and continuous milling operation for roll-over of inventory in response to emergency relief operations.

11.4 Inventory Held for Consumption

This account consists of supplies and materials which are used in the ordinary course of operations.

	Carrying amount, 01/01/2022	Additions/ acquisitions during the year	Expensed during the year except write-down	Carrying amount, 12/31/2022
Agricultural and marine supplies inventory	47,218,097	16,705,576	19,379,674	44,543,999
Accountable forms, plates and stickers inventory	20,123,426	2,838,960	1,706,595	21,255,791
Office supplies inventory	8,604,445	26,444,649	26,700,705	8,348,389
Construction materials inventory	3,236,326	140,163	149,239	3,227,250
Fuel, oil and lubricants inventory	1,666,734	57,148,498	57,831,783	983,449
Drugs and medicines inventory	482,422	120,958	123,208	480,172
Electrical supplies and materials	496,233	1,767,477	1,748,409	515,301
Housekeeping/cleaning supplies	149,911	2,132,960	1,928,866	354,005
Medical, dental and laboratory supplies inventory	220,761	310,989	366,100	165,650
Linens and beddings	157,606	375,811	381,222	152,195
Non-accountable forms	29,652	243	336	29,559
Other supplies inventory	267,422,582	36,075,447	11,195,444	292,302,585
	349,808,195	144,061,731	121,511,581	372,358,345

11.5 Semi-Expendable (SE) Machinery and Equipment

	Carrying amount, 01/01/2022	Additions/ acquisitions during the year	Expensed during the year except write-down	Carrying amount, 12/31/2022
SE office equipment	220,087	13,029,427	11,236,150	2,013,364
SE information and communications technology (ICT) equipment	408,415	5,204,872	3,802,693	1,810,594
SE communication equipment	124,960	938,239	713,309	349,890
SE disaster response and rescue equipment	58,340	210,352	192,352	76,340
SE medical equipment	-	77,803	77,803	-
SE sports equipment	14,796	270,273	172,273	112,796
SE technical and scientific equipment	338,770	3,917,141	2,830,997	1,424,914
SE kitchen equipment	27,490	384,563	397,858	14,195
SE electrical equipment	-	244,226	244,226	-
SE other machinery and equipment	123,980	2,279,862	1,779,293	624,549
	1,316,838	26,556,758	21,446,954	6,426,642

11.6 SE Furniture and Fixtures

	Carrying amount, 01/01/2022	Additions/ Acquisitions during the year	Expensed during the year except write-down	Carrying amount, 12/31/2022
SE furniture and fixtures	1,462,544	8,960,327	8,558,298	1,864,573
	1,462,544	8,960,327	8,558,298	1,864,573

SE inventories are tangible items which meet the definition and recognition criteria of PPE, but below the capitalization threshold of P50,000 (previously P15,000) pursuant to COA Circular No. 2022-001 issued on May 31, 2022. Expense is recognized upon issuance to the end-user.

12. OTHER ASSETS – CURRENT AND NON-CURRENT

	Note	2022		2021 As restated	
		Current	Non-current	Current	Non-current
Advances	12.2	4,145,769	-	4,775,690	-
Prepayments	12.3	12,228,986	-	15,765,042	-
Deposits	12.4	59,089,143	-	59,126,247	-
Other assets	12.5	59,915,089	1,145,480,828	169,607,325	1,174,923,182
		135,378,987	1,145,480,828	249,274,304	1,174,923,182

12.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Other assets (current and non-current) for CY 2021 were restated as follows:

Particulars	Amount
Other assets, December 31, 2021	1,424,978,402
Restatements:	
Prepayments	(2,080)
Deposits	(89,346)
Other assets	(21,696)
Other non-current assets	(667,794)
Total restatements	(780,916)
Other assets, December 31, 2021, as restated	1,424,197,486

12.2 Advances

	2022	2021
Advances to Special Disbursing Officers (SDOs)	4,125,769	4,770,411
Advances to officers and employees	20,000	5,279
	4,145,769	4,775,690

Advances to SDOs account includes the amount granted to Accountable Officer (AO) for special purpose/time-bound undertakings.

Advances to officers and employees account includes the amount granted to officers and employees for official travels to be liquidated within a specified period and/or within thirty (30) calendar days upon arrival from travel.

12.3 Prepayments

	2022	2021 As restated
Advances to contractors/sub-contractors	2,725,461	7,410,624
Prepaid rent	3,924,477	3,924,477
Prepaid insurance	1,555,543	2,356,930
Withholding tax at source	3,266,778	951,240
Other prepayments	756,727	1,121,771
	12,228,986	15,765,042

Advances to contractors/sub-contractors account represents mobilization fee for construction and repairs of PPE.

Prepaid rent represents rental to Amberland Corporation, Solid Triangle Sales Corporation and Sugar Regulatory Administration (SRA).

Prepaid insurance pertains to the unexpired portion of insurance premiums for buildings, motor vehicles and other properties with the GSIS.

Withholding tax at source represents tax withheld arising from rental by the Office of the Department of Justice (DOJ), DSWD, etc.

Other prepaid expenses account represents prepayment for Internet Security Gateway Appliance for Data Center, various Land Transportation Office (LTO) registration fees, etc.

12.4 Deposits

This account consists of deposits for the services of the following utilities and facilities:

	2022	2021 As restated
Containers	1,152,660	1,152,660
Light and water	3,641,312	3,678,416
Telephone installation	305,662	305,662
Facilities	52,441,021	52,441,021
Court cases	1,513,842	1,513,842
Lease equipment	34,646	34,646
	59,089,143	59,126,247

12.5 Other Assets

12.5.1 Other Current Assets

	2022	2021 As restated
Other assets – items-in-transit	56,487,031	166,059,721
Other assets – miscellaneous inventory	2,092,446	2,211,992
Other assets – stock held-in trust	1,335,612	1,335,612
	59,915,089	169,607,325

Other current assets account includes inventories such as stocks and empty sacks which are still in-transit as of the end of accounting period. It also includes miscellaneous inventories such as fertilizer and damaged grains and non-grains.

12.5.2 Other Non-Current Assets

	2022	2021 As restated
Junked assets	8,974,460	9,797,177
Non-performing assets	18,886,130	49,659,142
<i>Less: Allowance for impairment</i>	<i>(587,314)</i>	<i>(551,821)</i>
Equipment and implements	6,284,202	5,852,973
Other receivables	420,539,400	419,474,314
Other receivables - GOCCs	1,267	1,267
Other receivables - private institutions	691,382,683	690,690,130
	1,145,480,828	1,174,923,182

Other non-current assets include unserviceable/damaged/obsolete PPE waiting for disposal and other receivables of which collections are uncertain.

13. FINANCIAL ASSETS - NON-CURRENT

13.1 Investment in stocks

	2022	2021
Food Terminal Incorporated (FTI)	500,000,000	500,000,000
Gasifier and Equipment Manufacturing Corporation (GEMCOR)	1,242,000	1,242,000
Philippine Long Distance Telephone Company (PLDT)	63,657	63,657
Celebrity Sports Plaza (CSP)	35,000	35,000
Manila Electric Railroad and Light Company (MERALCO)	31,630	31,630
<i>Less: Allowance for impairment</i>	<i>(82,657)</i>	-
	501,289,630	501,372,287

- a. Investment in stocks in FTI in the amount of P500 million was recognized in the books of the NFA pursuant to Section 8 of PD No. 1770 dated January 14, 1981, which provided that the investments and loans as well as related obligations incurred by the Human Settlements Development Corporation (HSDC) in the FTI shall be transferred to the NFA. The FTI became a major subsidiary agency of the NFA.

The NFA and the FTI presented their financial statements separately, as preparation of consolidated financial statements is exempt under Paragraph 5 of IPSAS 35. These acquired stocks are not intended for trading and the financial statements are available for public use and compliant with IPSASs.

The FTI is located at West Bicutan, Taguig, Metro Manila, and their separate financial statements can be obtained or viewed at <http://www.fti.gov.ph/transparency>.

- b. The NFA owns 1,242 shares of stock of GEMCOR which was abolished in 1985. The sale and disposition of the said Corporation was handled by the DA under the Asset Privatization Trust. The NFA issued demand letter in 1995, 2014, 2017 and 2018 to the DA for the refund of investment.
- c. The investment in PLDT represents shares of stock owned by the NFA Regions I, III, VIII, XIII and CO. This account was subjected to impairment loss.
- d. The NFA owns one (1) share of stock of Celebrity Sports Plaza. This was subjected to auction in 2017, but was postponed indefinitely. This account was subjected to impairment loss.

13.2 Other investments

	2022	2021
Center for International Trade Expositions and Missions (CITEM)	14,745,735	14,745,735
NFA Employees Association (NFAEA)	407,200	407,200
DBP Trust	179,159	179,159
QC Sports Club	70,000	70,000
Capitol City Sports	22,500	22,500
Philippine Columbian Association	16,000	16,000
KUTOWATO	10,000	10,000
	15,450,594	15,450,594

- a. CITEM includes building, furniture, equipment and supplies carried over from Philippine Trade Exhibition Center (PTEC) books.
- b. Investment in NFAEA represents interest bearing loan and was recorded in 1985.
- c. The DBP Trust pertains to the balance of numerous roll-over transactions of money market placements from April 1993 to January 2007.
- d. The NFA owns two (2) shares of stock of QC Sports Club.

- e. Capitol City Sports Club could no longer be located and license with Securities and Exchange Commission (SEC) was suspended on November 11, 1994.
- f. The NFA owns one (1) share of stock of Philippine Columbian Association and is currently managed and used by NFA NCR.
- g. Investment in KUTOWATO was made in 1980 and represents 20 shares of stock at P5 par value.

14. INVESTMENT PROPERTY

14.1 Investment property – land

	2022	2021 As restated
Investment property, land	18,002,980	18,016,800
	18,002,980	18,016,800

- 14.2** In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Investment property-land account for CY 2021 was restated as follows:

	2022	2021 As restated
Balance, January 1	18,016,800	15,833,340
Other changes: reclassification from land to investment property - land of Region 11	-	12,031,760
Disposal	-	(9,848,300)
Other changes: reclassification from investment property - land to PPE - land of Region 6	(13,820)	-
Balance, December 31	18,002,980	18,016,800

14.3 Breakdown of Investment property – land

	2022	2021 As restated
Region 01 - Ilocos Region	12,662	12,662
Region 04 - Southern Tagalog	741,373	741,373
Region 06 - Western Visayas	197,380	211,200
Region 09 - Western Mindanao	540,342	540,342
Region 11 - Southern Mindanao	12,818,360	12,818,360
Region 12 - Central Mindanao	1,825,083	1,825,083
Region 13 - NCR	1,867,780	1,867,780
	18,002,980	18,016,800

Investment property – land refers to the cost of land or part of land held by the NFA to earn rentals or for capital appreciation or both.

15. PROPERTY, PLANT AND EQUIPMENT

Details of PPE are presented in the table as follows:

CY 2022

Particulars	Land	Land improvements ¹	Building and other structures ²	Machinery, transportation equipment and other PPE ³	Construction in progress	Total
Restated carrying amount						
01/01/2022	289,154,339	148,951,248	1,179,897,256	358,630,172	705,136,701	2,681,769,716
Add:						
Additions/ acquisitions/ adjustments/ reclassifications	220,290	34,153,320	852,241,532	(106,667,514)	(603,395,550)	176,552,078
Total	289,374,629	183,104,568	2,032,138,788	251,962,658	101,741,151	2,858,321,794
Less:						
Disposals/ adjustments/ reclassifications	-	1,475,070	(2,983,084)	242,454,471	-	240,946,457
Depreciation	-	(14,689,498)	(91,165,367)	(57,826,971)	-	(163,681,836)
Impairment loss	-	-	(592,555)	(468,230)	-	(1,060,785)
Carrying amount						
12/31/2022	289,374,629	169,890,140	1,937,397,782	436,121,928	101,741,151	2,934,525,630

1 – Includes leased assets improvements - land

2 – Includes leased assets improvements - buildings and other structures

3 – Composed of machinery and equipment, transportation equipment, furniture, fixtures & books and other PPE

As at January 1, 2022, the balances are restated to reflect the retrospective adjustments made attributable to the increase in the capitalization threshold of tangible items from below P15,000 to P50,000. This is pursuant to the provisions under COA Circular No. 2022-004.

The following table shows the costs, accumulated depreciation, impairment loss and carrying amount of PPE as of December 31, 2022:

Particulars	Land	Land improvements ¹	Building and other structures ²	Machinery, transportation equipment and other PPE ³	Construction in progress	Total
Gross cost						
12/31/2022	289,374,629	402,144,649	3,845,622,353	1,608,770,735	101,741,151	6,247,653,517
Accumulated depreciation	-	(232,254,509)	(1,908,219,212)	(1,172,142,014)	-	(3,312,615,735)
Allow. for Impairment	-	-	(5,359)	(506,793)	-	(512,152)
Carrying amount						
12/31/2022	289,374,629	169,890,140	1,937,397,782	436,121,928	101,741,151	2,934,525,630

- a. Land account includes Lot no. 54 occupied by the FDC with an area of 14,720 square meters (sq.m.) valued at P191,814,029. In relation to RA No. 11203, the said land was previously transferred to the DA in CY 2020, but later returned to the NFA in CY 2021.

- b. Building and other structures account includes the new NFA CO Building. Certificate of Acceptance for the new building was issued on March 30, 2021 and the Certificate of Final Acceptance was executed on May 31, 2022.
- c. Machinery, transportation equipment and Other PPE account includes four (4) new units Isuzu Trucks Forward FVR34, biometric, air condition, multifunction photocopy machine, laptop, video conferencing machine, spectrophotometer and multi-grain handheld moisture meter purchased in CY 2022.
- d. Construction in progress account includes remaining in-progress works on damaged warehouses and facilities nationwide due to previous calamities.

In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, PPE for CY 2021 were restated as follows:

CY 2021 (As restated)

Particulars	Land	Land improvements ¹	Building and other structures ²	Machinery, transportation equipment and other PPE ³	Construction in progress	Total
Carrying amount 01/01/2021	288,920,246	148,266,962	1,164,229,357	406,262,490	626,585,612	2,634,264,667
Add:						
Additions/ acquisitions/ adjustments/ reclassifications	234,093	18,622,097	453,613,723	299,614,066	321,133,329	1,093,217,308
Total	289,154,339	166,889,059	1,617,843,080	705,876,556	947,718,941	3,727,481,975
Less:						
Disposals/ adjustments/ reclassifications	-	(3,931,372)	(353,504,804)	(271,014,450)	(242,582,240)	(871,032,866)
Depreciation	-	(14,006,439)	(84,441,020)	(75,654,836)	-	(174,102,295)
Impairment loss	-	-	-	(577,098)	-	(577,098)
Restated carrying amount 12/31/2021	289,154,339	148,951,248	1,179,897,256	358,630,172	705,136,701	2,681,769,716

1 – Includes leased assets improvements - land

2 – Includes leased assets improvements - buildings and other structures

3 – Composed of machinery and equipment, transportation equipment, furniture, fixtures & books and other PPE

The following table shows the costs, accumulated depreciation, impairment loss and carrying amount of PPE as of December 31, 2021:

Particulars	Land	Land improvements ¹	Building and other structures ²	Machinery, transportation equipment and other PPE ³	Construction in progress	Total
Cost 12/31/2021	289,154,339	367,991,330	2,993,380,822	1,715,438,249	11,538,616	5,377,503,356
Accumulated depreciation	-	(219,040,082)	(1,813,103,574)	(1,356,011,048)	690,155,549	(2,697,999,155)
Allow. for Impairment	-	-	(379,992)	(797,029)	3,442,536	2,265,515
Carrying amount 12/31/2021	289,154,339	148,951,248	1,179,897,256	358,630,172	705,136,701	2,681,769,716

16. INTANGIBLE ASSETS

Particulars	2022			2021		
	Computer software	Other intangible assets	Total	Computer software	Other intangible assets	Total
Carrying amount, 01/01	47,700	3,346,928	3,394,628	73,350	3,346,928	3,420,278
Additions/acquisitions	3,995	-	3,995	-	-	-
Amortization	51,695	3,346,928	3,398,623	73,350	3,346,928	3,420,278
	(25,650)	-	(25,650)	(25,650)	-	(25,650)
Carrying amount, 12/31	26,045	3,346,928	3,372,973	47,700	3,346,928	3,394,628

	2022			2021		
	Computer software	Other intangible assets	Total	Computer software	Other intangible assets	Total
Cost, 12/31	13,220,333	3,346,928	16,567,261	13,140,428	3,346,928	16,487,356
Accumulated amortization	(13,194,288)	-	(13,194,288)	(13,092,728)	-	(13,092,728)
Carrying amount, 12/31	26,045	3,346,928	3,372,973	47,700	3,346,928	3,394,628

- a. Computer software pertains to software such as Visual Studio Pro License, Security Appliance Firewall, Sirius Software, Software/Lotus FoxPro Virus Scan, Globodex Enterprise Document Management System and Crystal Report License XI Developer Upgrade.
- b. Other intangible assets refer to Electronic Integrated Financial and Operations Management Information System (e-IFOMIS). It is a web enabled on-line information system consisting of the NFA operations and financial transactions, which are linked together accessing one database. This encompasses automated and manual processes, procedures, controls, data, hardware/software and support personnel dedicated to the operation and maintenance of the systems. The project also includes multiple applications that are integrated thru a common data-base or are electronically interfaced as necessary to meet defined data and processing requirements.

17. FINANCIAL LIABILITIES

This account consists of the following:

	Note	2022		2021 As restated	
		Current	Non-current	Current	Non-current
Accounts payable	17.2	700,748,218		1,079,342,143	
Due to officers and employees	17.3	269,853,554		185,801,373	
Notes payable	17.4	25,304,706,780		49,817,126,614	
Interest payable	17.5	622,017,062		665,378,721	
Loans payable-domestic	17.6,17.8	2,160,000,000	3,480,736,020	360,000,000	7,440,736,020
Loans payable-foreign	17.7,17.9	11,297,108	22,594,217	12,000,054	36,000,161
		29,068,622,722	3,503,330,237	52,119,648,905	7,476,736,181

17.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Financial liabilities account for CY 2021 was restated as follows:

Particulars	Amount
Financial liabilities, December 31, 2021	52,165,308,569
Restatements:	
Accounts payable	(38,459,220)
Due to officers and employees	827,328
Interest payable	(8,027,772)
Total restatements	(45,659,664)
Financial liabilities, December 31, 2021, as restated	52,119,648,905

17.2 Accounts Payable

This account consists of the following:

	2022	2021 As restated
Farmers and farmer's organization	6,775,454	35,485,244
Supplier of goods and services	693,972,764	1,043,856,899
	700,748,218	1,079,342,143

Accounts payable account includes accrued claims of farmers and farmers' organization and supplier of goods and services as at the end of accounting period. Accounts payable to farmers and farmers' organization pertains to the supply and delivery of palay. While accounts payable to supplier of goods and services pertains to acquisition of goods and rendition of services on account such as utilities, general services, security services, handling, trucking, repairs and maintenance projects in connection with the agencies' operation/trade/business.

The Accounts payable is restated because of the adjustments made on payable to suppliers of goods and services and to a PLDT.

17.3 Due to Officers and Employees

This account consists of the following:

	2022	2021 As restated
Personnel services and MOOE	213,756,760	128,878,909
Provident fund (employer's share)	30,194,270	31,617,794
40 per cent cost of living allowance	16,973,508	16,973,508
Calamity loan assistance program	5,502,081	5,502,081
Payment of shortage/disallowance under protest	2,329,442	2,117,248
Hospitalization assistance program	650,020	672,163
Bereavement assistance program	263,728	39,670
Remuneration	183,745	-
	269,853,554	185,801,373

Due to officers and employees account includes accrued salaries and other personnel services and authorized reimbursable expenses to officers and employees as at year-end.

Significant increase on this account is attributed to the accrual of salaries adjustments pursuant to NFA Council Resolution No. 1034-2022-C dated March 23, 2022, approving the implementation of the Compensation and Position Classification System (CPCS) of the NFA under EO No. 150, Series of 2021.

17.4 Notes Payable

This account consists of the following:

	2022	2021
DBP	15,799,984,821	27,495,000,000
LBP	9,504,721,959	22,322,126,614
	25,304,706,780	49,817,126,614

The Notes payable to DBP and LBP are short-term notes and re-priced every 90 days at interest rate ranging from 2.75 per cent to 4.52 per cent.

17.5 Interest Payable

This account consists of the following:

	2022	2021
	2022	As restated
DBP	86,146,091	127,917,009
LBP	73,166,307	127,250,133
BTr - net lending	462,272,549	409,599,576
1995 Japanese rice loan	432,115	612,003
	622,017,062	665,378,721

Interest payable represents accrued interest on loans owed by the NFA as of the end of accounting period. Decrease in Interest payable is attributed to the decrease in notes and loans payable.

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

Particulars	Amount
Interest payable, December 31, 2021	673,406,493
Restatement:	
Over set-up due to change of interest rate for net lending	(8,027,772)
Total restatement	(8,027,772)
Interest payable, December 31, 2021, as restated	665,378,721

17.6 Current loans payable - domestic

This account consists of the following:

	2022	2021
Ten-year notes/loans syndicated by DBP and LBP dated October 29, 2014; due date - October 29, 2024:		
LBP	1,080,000,000	180,000,000
DBP	1,080,000,000	180,000,000
	2,160,000,000	360,000,000

17.7 Current loans payable – foreign

This account consists of the following:

	2022	2021
1995 Japanese rice loan	11,297,108	12,000,054
	11,297,108	12,000,054

17.8 Non-current loans payable – domestic

This account consists of the following:

	2022	2021
Ten-year notes/loans syndicated by DBP and LBP dated October 29, 2014; due date - October 29, 2024:		
LBP	1,440,000,000	3,420,000,000
DBP	1,440,000,000	3,420,000,000
	2,880,000,000	6,840,000,000
DBP – Minprocor		
Acquired assets from Minprocor properties	91,200,000	91,200,000
HSDC - P553.824 million, payable in 25 years (quarterly payment)	509,093,711	509,093,711
Agrarian Credit Line	205,000	205,000
BTr	116,625	116,625
Ministry of Agriculture and Food - interest of three per cent per annum payable every six months. Department of National Agricultural Productivity Program (NAPP) loan granted to NFA for procurement operations	120,684	120,684
	3,480,736,020	7,440,736,020

17.9 Non-current loans payable – foreign

This account consists of the following:

	2022	2021
1995 Japanese Rice Loan	22,594,217	36,000,161
	22,594,217	36,000,161

Loans payable – foreign represents CY 1995 Japanese Rice Loan - ¥541.355 million dated August 16, 1995. The rate of interest was two per cent per annum on the 1st to 10th year initial grace period and three per cent per annum from 11th to 30th year. With 10 years grace period, the annual installments of ¥27.068 million started on July 31, 2006 to July 31, 2025; and overdue interest of 0.023 per cent per day for a period from the following date after the due date to the day of actual payment.

The balance of principal loan as at December 31, 2022 amounted to ¥81.203 million with conversion rate of ¥1 = 0.4174.

18. INTER-AGENCY PAYABLES

This account consists of the following:

	Note	2022	2021 As restated
Due to BIR	18.2	34,179,724	31,206,849
Due to GSIS	18.3	21,469,082	14,115,097
Due to Pag-IBIG	18.4	487,601	457,675
Due to PhilHealth	18.5	1,338,312	328,047
Due to NGAs	18.6	1,260,212,737	1,260,298,038
Due to other GOCCs	18.7	35,395,280	35,383,012
Due to LGUs	18.8	25,413,106	30,000,595
Due to National Treasury	18.9	106,668,265,574	83,009,121,489
Value Added Tax (VAT) payable		-	138,171
		108,046,761,416	84,381,048,973

18.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Inter-agency payables account for CY 2021 was restated as follows:

Particulars	Amount
Inter-agency payables, December 31, 2021	84,213,786,687
Restatements:	
Due to BIR	41,942
Due to GSIS	(558,944)
Due to Pag-IBIG	1,082
Due to PhilHealth	(4,915)
Due to NGAs	(45,043)
Due to other GCs	(10,067)
Due to LGUs	14,700,731
Due to Treasurer of the Philippines	153,137,500
Total restatements	167,262,286
Inter-agency payables, December 31, 2021, as restated	84,381,048,973

18.2 Due to BIR account represents the unremitted taxes withheld from officers and employees, and suppliers of goods and services as at the end of accounting period.

	2022	2021 As restated
Withholding tax on government money payments (GMP) - VAT	16,173,771	16,044,242
Expanded withholding tax	7,036,403	6,599,789
Withholding tax on compensation	6,616,285	4,820,219
Withholding tax on GMP - percentage tax	3,758,434	3,124,766
Final tax	399,645	395,612
Contractor's tax	170,152	170,164
Franchise tax	25,034	23,448
Sales tax	-	28,609
	34,179,724	31,206,849

18.3 Due to GSIS account represents unremitted mandatory contributions and other deductions from officers and employee's salaries for the month of December. This

account also includes accrued marine insurance policies applied to cover inter-regional and intra-regional stock transfers/shipments.

	2022	2021 As restated
Life and retirement premium	9,455,146	2,512,293
Marine insurance	8,205,179	8,631,099
GSIS financial assistance loan	1,464,167	1,181,092
Multi-purpose loan	1,132,206	332,369
Conso loan	686,346	1,099,679
Computer loan	208,519	103,452
Emergency loan	189,462	190,240
Policy loan	38,261	29,242
Travel accident insurance	37,281	382
Optional insurance premium	33,675	34,729
Emergency loan assistance	23,791	12,128
Educational assistance	21,406	22,120
Policy loan (2nd policy)	15,160	18,037
Employees Compensation Commission (ECC)	10,100	17,038
E-card	5,289	5,289
Real estate loan	4,787	1,876
Hospital insurance plan	2,146	2,146
E-card cash advance	1,016	1,016
Unlimited optional insurance premium	542	661
College educational insurance	479	1,996
Salary loan	(65,876)	(84,245)
Third party liability	-	2,458
	21,469,082	14,115,097

Compliance with GSIS law, RA No. 8291

The NFA complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to GSIS the employees' and the government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CYs 2022 and 2021:

	2022		2021	
	Withheld	Remitted	Withheld	Remitted
Life and retirement premiums, employees share	73,771,353	73,648,597	74,195,835	75,185,044
Government share	-	94,487,163	-	99,242,628
	73,771,353	168,135,760	74,195,835	174,427,672

18.4 Due to Pag-IBIG account represents unremitted employees' premium payments and other payables to the Home Development Mutual Fund (HDMF) as of the end of accounting period.

	2022	2021 As restated
Premium	310,800	276,090
Multi-purpose loan	104,133	78,083
Real estate/housing loan	36,672	35,487
Calamity loan	21,926	12,515
Modified 2 premium savings	14,070	55,500
	487,601	457,675

18.5 Due to Philippine Health Insurance Corporation (PhilHealth) represents unremitted employees' premium payments to the (PHIC) as at the end of accounting period.

18.6 Due to NGAs

	2022	2021 As restated
Bureau of Customs (BOC)	1,211,965,686	1,211,965,686
DA	45,097,395	45,187,646
DSWD	2,408,410	2,408,410
DILG	386,046	386,046
DOJ	336,000	336,000
Department of Transportation and Communications (DOTC)	14,250	14,250
Department of Science and Technology (DOST)	4,950	-
	1,260,212,737	1,260,298,038

- a. Due to BOC account represents customs' duties (set-up of tariff expenses) on the importation of sugar in CYs 1999 to 2002 and rice for CY 2018.
- b. Due to DA account represents receipt of funds from the agriculture department for the implementation of programs or projects subject to liquidation.

	2022	2021 As restated
Donated China Yellow Corn	11,078,611	11,078,611
DSWD donated US rice	10,726,027	10,726,027
Rapid Seed Supply Financing Project	8,761,942	8,857,192
Donated Vietnam rice	5,758,668	5,758,668
Certified Seeds Program	2,016,519	2,016,519
Agri Credit Policy Council	1,261,020	1,261,020
Shallow tube well	1,221,263	1,221,022
National Agricultural and Fishery Council (NAFC)-Commercial Crop Program	734,063	734,063
Corn Block Farming	639,141	639,141
Rural Field Unit	612,166	612,166
DA	482,999	482,999
Presidential Social Fund	390,000	390,000
Grains Procurement and Enhancement Program	376,692	376,692
NAFC-PRPC	325,322	325,190
Ginintuang Masaganang Ani	257,305	252,679
Bureau of Postharvest Research and Extension (Naphire -SVLF)	184,135	184,135
NAFC-Consultative Fund	171,876	171,876
Corn Plus Program	57,475	57,475
Phil Rice Post Production	29,100	29,100
Farm Equipment Program	12,771	12,771
Agricultural Development Fund	300	300
	45,097,395	45,187,646

- c. Due to DSWD account includes ASEAN Plus 3 Emergency Rice Reserve and Pamaskong Handog Program.
- d. Due to DILG represents imported Australian rice for DILG employees prior to CY 2005.

18.7 Due to other GOCCs

This account consists of the following:

	2022	2021 As restated
SRA	23,409,344	23,409,344
Grainscor	7,532,968	7,532,968
QUEDANCOR	3,547,485	3,547,485
Philippine Amusement and Gaming Corporation (PAGCOR)	311,785	311,785
Philippine Charity Sweepstake Office (PCSO)	304,232	304,232
PITC	125,488	125,488
Philippine Ports Authority (PPA)	62,996	57,398
GSIS	53,025	53,025
Philippine Crop Insurance Corporation (PCIC)	37,371	37,371
Group hospitalization insurance premium	6,500	-
National Home Mortgage Finance Corporation (NHMFC)	4,086	3,916
	35,395,280	35,383,012

- a. The SRA account represents unpaid liens on sugar importation by the NFA Batangas in August to September 2001 which was accrued based on SRA Sugar Order No. 8 dated June 21, 2001. It also includes set-up of payables for the office space rental, water and electrical consumptions.
- b. The NHMFC account represents set-up of payables for the housing loan of the NFA employees.
- c. The PITC account represents set-up of payables to PITC Pharma Inc. for the purchase of assorted medicines. This account is subject for reconciliation.
- d. GRAINSCOR account represents payable that was transferred to the NFA.
- e. PCIC and PCSO accounts existed prior to year 2007 and had been dormant since then with no available documents to be found.
- f. Adjustments to Due to other GOCCs pertains to adjustment made to due to PPA.

18.8 Due to LGUs

This account consists of the following:

	2022	2021 As restated
Due to LGUs	4,507,385	16,538,735
Palay Assistance for Legislators and Local Government Units (PALLGU)	20,903,800	8,050,507
Utilities	1,921	5,411,353
	25,413,106	30,000,595

This account consists of real property tax due for real properties owned by the NFA and unexpended balance of PALLGU.

18.9 Due to Treasurer of the Philippines

This account consists of the following:

	2022	2021 As restated
Net lending	94,116,602,256	70,950,167,624
Guaranty fee	11,676,957,147	11,254,405,340
COA audit services	811,719,403	741,606,757
USPL 480 iron fortified rice	46,223,010	46,223,010
USPL 480 rice	9,534,832	9,534,832
USPL 480 Title 1	7,840,255	7,840,255
Countrywide Development Fund	881,582	881,582
Fidelity fund	45,000	-
Priority Development Assistance Fund (PDAF)	40,000	40,000
China rice I	37,940	37,940
Australian rice	(1,615,851)	(1,615,851)
	106,668,265,574	83,009,121,489

- a. Net lending account pertains to net advances availed from the BTr in settlement of various maturing loan obligations of the NFA.
- b. Guarantee fee account represents amount charged by the BTr on guarantees extended to the NFA to cover obligations contracted. It is equivalent to one percent of the amount drawn from the loan.
- c. The COA account represents unpaid set-up of payables for the audit services made by COA as follows:

Year Covered	Amount
2013	61,467,366
2014	61,569,794
2015	80,784,047
2017	118,765,489
2018	128,844,741
2019	30,209,105
2020	128,146,170
2021	131,820,045
2022	70,112,646
	811,719,403

- d. Countrywide Development Fund account represents cash allotment given to various legislators for the purchase of rice for distribution to their assigned beneficiaries.
- e. USPL, Australian and China rice accounts existed since CY 1988 and still for profiling of accounts.

18.9.1 In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, Due to Treasurer of the Philippines account for CY 2021 was restated as follows:

Particulars	Amount
Due to Treasurer of the Philippines, December 31, 2021	82,855,983,989
Restatement:	
Unrecognized guarantee fee payable	153,137,500
Total restatement	153,137,500
Due to Treasurer of the Philippines, December 31, 2021, as restated	83,009,121,489

19. TRUST LIABILITIES

This account consists of the following:

	Note	2022	2021 As restated
Trust liabilities	19.2	318,796,520	353,728,843
Guaranty/security deposits payable	19.3	93,553,805	108,615,010
Customers' deposits payable	19.4	306,237,749	544,811,209
Trust liabilities-disallowances/charges	19.5	37,903,057	47,079,889
		756,491,131	1,054,234,951

19.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Trust liabilities for CY 2021 were restated as follows:

Particulars	Amount
Trust liabilities, December 31, 2021	1,056,498,973
Restatements:	
Trust liabilities	1,201,203
Guaranty/security deposits payable	(1,813,189)
Customers' deposits payable	(2,052,161)
Trust liabilities-disallowances/charges	400,125
Total restatements	(2,264,022)
Trust liabilities, December 31, 2021, as restated	1,054,234,951

19.2 Trust liabilities account pertains to payable due to institution and corporation. It also includes retention fees from various suppliers that were contracted by the office to perform services and/or for delivery of such goods, as follows:

	2022	2021 As restated
CDF	187,431,661	184,222,654
Retention fees	35,068,955	70,770,787
Lingap Para Sa Mahirap	22,944,568	22,944,568
Sugar liens	17,911,326	17,911,326
Mindanao El Niño victims	15,835,342	15,835,342
Vina Foods	12,141,833	12,136,584
Bid and Awards Committee (BAC)	7,333,133	6,289,195
Cooperative Development Incentive Fee	6,391,147	6,451,618
Proceeds from confiscated stocks	5,284,384	5,284,384
NFA Provident Fund	2,493,805	2,988,086
NFAEA	1,676,595	2,170,752
Rice subsidy program	926,667	926,667
NFA Multi-Purpose Cooperative	425,297	202,298
Insurance proceeds	402,087	389,479
Consigned goods	314,150	368,697
Food & Agriculture Organization Grains Post Harvest	313,820	313,820
Group Term Life Insurance	311,386	153,728
Employees Real Estate and Character Loan	244,656	294,373
RPEP II - (Seeds)	221,296	221,296
FDC	206,373	206,373
Angat Pinoy Incentive Fee	189,033	189,033
United Rice Fortification	150,815	150,815
Farmer's Coop Incentives	90,852	2,713,192
Philippine Asia Group Accident Insurance Program	90,478	83,902
Irrigated Rice Production Enhancement Project (IRPEP)	82,583	82,557
Post Productions Incentive Services	80,070	118,650
Korea Government - National Agri-Food Information System (NAIS)	67,069	67,069

	2022	2021 As restated
Philippine Rice Maligaya - IRRI	39,666	39,666
GAFTA Penalty	28,479	28,479
Philippine Food & Foodstuffs	26,932	26,932
Despatch Held-in -Trust	22,618	22,618
Sterix	14,032	14,032
Emergency assistance package	12,988	12,988
Philippine Asia Group Hospitalization Insurance Program	10,300	5,703
Rice loan deposit	6,600	6,600
GEPFORA	5,000	5,000
NFA Uniform Committee	524	524
Novicide, Inc.-Field Evaluation of Cynux Sew	-	79,056
	318,796,520	353,728,843

- a. The CDF account was created through the issuance by the former President of the Philippines of the Memorandum Order (MO) No. 468 on March 17, 1998. The MO granted the NFA authority to import duty/tariff free 300,000 MT of corn to help ensure sufficient supply of corn in the face of the then projected corn shortage as a result of El Niño, and to provide relief to the hog and poultry industries. It also provides that any net proceeds accruing from the importation of corn will be held in trust by the NFA to be used for corn development projects.
- b. Employees real estate and character loan account pertains to deductions from the salary of employees for the account of banks and employees' association which granted real estate and character loan to employees.
- c. NFAEA, NFA Provident Fund, Inc. (NFAPFI) and NFA Multi-Purpose Cooperative (NFAMPC) accounts represent deductions from the salary of employees for loans and contributions. These trust accounts are remitted before month-end of the applicable billing period.
- d. Dispatch held in trust account represents set-up of payables for charges that the contractor/supplier pays to the cargo handler for extra use of its services. This account will be closed upon the accomplishment of the unloading of goods and distributed based on the percentage claim of the cargo handler and NFA as stipulated in the contract (60 per cent Cargo Handler and 40 per cent NFA).
- e. Retention fee account represents the unrefunded amount due to the contractor that is deducted from the amount due and retained by the client. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract.
- f. Philippine Rice Maligaya – IRRI account represents fund remittance from NFA – Dumaguete Branch thru LBP-GOF dated June 14, 2006 to NFA – CO for the unutilized balance of IRRI.
- g. The Lingap Para sa Mahihirap Program account represents unliquidated balance of this program. This has a total funding of P400 million as stated in the terminal report for the program. The fund was disbursed through programs classified as Unrestricted Funds for Legislators Identified Beneficiaries (LIBs) and the Restricted Funds for Priority Beneficiaries (PBs), in trust to the NFA.

- h. The FDC account includes unexpended fund balance of the Philippine Council Industrial Research and Development for the project entitled “Upgrading and Utilization of Mango for their Flavour and Fatty Acid Components”.
 - i. The Mindanao El Niño Victims represents fund for Mindanao El Niño victims from 1998 Calamity Fund under Special Allotment Release Order (SARO) No. D-98-2335 dated June 3, 1998 to cover funding requirements for intervening the effects of El Niño (Rice Procurement).
 - j. The BAC are receipts from bid documents less honorarium and other incidental expenses intended for Bids and Awards.
 - k. Vina Foods were fund remittances from different NFA FOs for the sale of Vietnam damaged stocks including bank interest earned.
 - l. The Korea Government - NAIS represents fund from Korea for the project “Establishing Real-Time ASEAN Food Security Information System and Developing Human Resource in the Philippines (2nd Phase)” mutually agreed upon between the NFA and the Korea Agency of Education, Promotion and Information service in Food, Agriculture, Forestry and Fisheries of the Republic of Korea dated April 17, 2018.
 - m. Philippine Food and Foodstuffs and Subsidy Program accounts existed prior to year 2007 and had been dormant since then with no available documents to be found.
 - n. The IRPEP is a sub-programme of the Rapid Food Production Enhancement Programme (RAFPEP), a program of the National Government toward rice self-sufficiency funded by a loan from the International Fund for Agricultural Development (IFAD) and a grant from the European Union (EU). The NFA’s role in the IRPEP is to provide the target beneficiaries with marketing and post-harvest facilities. Under IRPEP, the NFA will implement Component 4-Provision of Post-Harvest and Marketing Facilities in Regions 8 and 10 and part of Component 5 through the conduct of two policy dialogues, namely: Grains Supply and Price Stabilization Policy and Food Subsidy Policy.
- 19.3** Guaranty/security deposits payable account pertains to the liability arising from receipt of cash to assure the office that the winning bidder will enter into a contract and the contractor will perform on the terms of the contract.
- 19.4** Customers’ deposit payable account represents advance payment made by government agencies/offices and private individuals/organizations in exchange for goods to be delivered.
- 19.5** Disallowances/charges are the amount withheld from the Separation Incentive Package (SIP) of affected employees with Notices of Disallowance (NDs) – under appeal. The account includes traveling, allowances, food incentive, insurance, hospitalization, executive health care program, shortage under protest – grains and others.

20. DEFERRED CREDITS/UNEARNED INCOME

This account includes the following:

20.1 Current Deferred Credits/Unearned Income

	2022	2021
Output tax	927,703	-
	927,703	-

This account represents VAT levied on rental income derived from ARTA and DOJ- Office of the Alternative Dispute Resolution (OADR).

20.2 Non-current Deferred Credits/Unearned Income

	2022	2021 As restated
Overages - grains and empty sacks	73,436,595	75,148,439
Difference between replacement cost and book value	34,405,421	31,713,778
ESSS operator	419,632	402,706
Donated assets	416,500	419,490
FDC collections	109,960	126,760
Bank deposits	84,450	70,900
Price differential - special projects	21,985	21,985
Warehouse rentals	16,214	16,214
Registration and licensing	4,070	4,070
	108,914,827	107,924,342

Other deferred credits account represents income not yet earned such as overages of stocks and empty sacks arising from bag-to-bag physical inventory count, donations with conditions, price differentials and facilities and administrative service fees and other receipts.

20.2.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Deferred credits/unearned income account for CY 2021 was restated as follows:

Particulars	Amount
Deferred credits/unearned income, December 31, 2021	113,435,009
Restatements:	
Other deferred credits	(5,510,667)
Total restatements	(5,510,667)
Deferred credits/unearned income, December 31, 2021, as restated	107,924,342

21. PROVISIONS

This account includes the following:

	2022	2021 As restated
Leave benefits payable	554,467,858	483,625,686
	554,467,858	483,625,686

Leave benefits payable account represents the monetary equivalent of accumulated earned leave credits of employees as at the end of the year.

21.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Provisions account for CY 2021 was restated as follows:

Particulars	Amount
Provisions, December 31, 2021	509,037,462
Restatements:	
Leave benefits payable	(25,411,776)
Total restatements	(25,411,776)
Provisions, December 31, 2021, as restated	483,625,686

22. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2022	2021 As restated
Service income		
Fines and penalties-service income	89,161	66,641
Clearance and certification fees	4,650	5,900
Other service income	21,155,422	12,480,668
	21,249,233	12,553,209
Business income		
Sales revenue	7,107,767,415	10,406,728,767
Rent/lease income	34,848,651	17,131,920
Dividend income	50,000,000	-
Interest income	4,597,266	4,994,719
Fines and penalties-business income	10,500	50,620
Other business income	711,737	78,559
	7,197,935,569	10,428,984,585
Total service and business income	7,219,184,802	10,441,537,794

22.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Service and business income accounts for CY 2021 were restated as follows:

Particulars	Amount
Service and business income, December 31, 2021	10,281,202,934
Restatements:	
Sales revenue	156,642,417
Other service income	3,693,267
Interest income	(824)
Total restatements	160,334,860
Service and business income, December 31, 2021, as restated	10,441,537,794

Service and business income account is largely comprised of revenue from the sale of rice to various stakeholders such government agencies/offices and private entities primarily involved in disaster and relief operations. This also includes fees for the issuance of registration/clearance/certificate/license to individuals/organizations, fine and penalties, interest income from bank deposits, rent/lease income from the use of NFA's properties/facilities and other service income.

Decrease in service and business income is mainly attributed to decrease in distribution volume and stripping of some of the NFA's function pursuant to RA No. 11203 that resulted in the cessation of service fees, permits, licenses and other similar in nature to importers, traders, warehouse operators, wholesalers, retailers, among others.

Significant increase in service income is attributed to the increase in the collection of warehouse/storage fees.

Significant increase in rental/lease income is attributed to the leased portion of the NFA's CO Building by the ARTA and DOJ-OADR. Leased areas of ARTA are the rear portion of the 4th floor with an area of 526.25 sq.m. and the whole 5th floor with an area of 1,366.63 sq.m. or an aggregate floor area of 1,892.88 sq.m. While the leased areas occupied by the DOJ-OADR is the front portion of the 4th floor with 889.53 sq.m.

Dividend income pertains to the cash dividends received from the FTI.

23. SHARES, GRANTS AND DONATIONS

This account includes the following:

	2022	2021
Donations in kind	19,870,756	-
	19,870,756	-

Donations in kind pertain to the 40,000 bags capacity warehouse located at Casiguran Complex donated to the NFA Nueva Ecija by Congressman Rommel Rico Angara thru Department of Public Works and Highways (DPWH).

24. PERSONNEL SERVICES

This account includes the following:

24.1 Salaries and wages

	2022	2021 As restated
Salaries and wages-regular	852,455,928	792,356,125
	852,455,928	792,356,125

24.2 Other compensation

	2022	2021 As restated
Personnel economic relief allowance (PERA)	52,674,727	55,752,915
Representation allowance (RA)	7,083,292	6,911,262
Transportation allowance (TA)	6,642,868	6,741,715
Clothing/uniform allowance	13,157,119	13,545,000
Subsistence allowance	554,400	811,800
Laundry allowance	84,000	123,000
Hazard pay	2,288,868	24,334,728
Longevity pay	781,313	1,140,314
Overtime and night pay	20,510,621	20,596,582
Year-end bonus	72,916,428	65,008,875
Cash gift	10,879,500	11,449,000
Mid-year bonus	72,146,409	65,732,962
Other bonuses and allowances	62,119,762	36,736,276
	321,839,307	308,884,429

24.3 Personnel benefit contributions

	2022	2021 As restated
Retirement and life insurance contributions	101,548,862	95,012,639
Provident/welfare fund contributions	29,733,444	34,596,053
PhilHealth contributions	16,789,529	11,636,586
Employees compensation insurance premiums	2,663,929	3,477,583
PAG-IBIG contributions	2,642,642	2,827,927
	153,378,406	147,550,788

24.4 Other personnel benefits

	2022	2021 As restated
Terminal leave benefits	125,179,754	81,310,645
Retirement gratuity	20,000	227,557
Other personnel benefits	43,053,068	88,494,052
	168,252,822	170,032,254

Total personnel services	1,495,926,463	1,418,823,596
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24.5 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Personnel services account for CY 2021 was restated as follows:

Particulars	Amount
Total personnel services, December 31, 2021	1,425,278,684
Restatements:	
Salaries and wages	1,270,800
Other compensation	(1,754,906)
Personnel benefit contributions	4,562,536
Other personnel benefits	(10,533,518)
Total restatements	(6,455,088)
Total personnel services, December 31, 2021, as restated	1,418,823,596

Salaries and wages refer to basic salaries for services rendered by officers and employees of the Authority. The rate of basic pay is based pursuant to the NFA Council Resolution No. 1034-2022-C dated March 23, 2022, approving the implementation of the CPCS of the NFA under EO No. 150, Series of 2021.

Salaries of reappointed/promoted employees were adjusted beginning January 1, 2022 based on the CPCS, while salaries of those parked employees or those who are not yet placed under the new structure is still based on Salary Standardization Law (SSL) 4 – 4th tranche.

Increase in Personnel services account is attributed to the implementation of the CPCS.

25. MAINTENANCE AND OTHER OPERATING EXPENSES

This account includes the following:

25.1 Traveling expenses

	2022	2021 As restated
Traveling expenses-local	61,171,279	38,750,318
	61,171,279	38,750,318

Travelling expenses include expenses incurred by officers and employees for authorized local engagements.

In CY 2022, the travel restrictions/limitations imposed by the Inter Agency Task Force (IATF) Resolutions as preventive measures to contain and avoid further spread of virus were gradually relaxed due to controlled or decreased in the number of COVID-19 cases.

25.2 Training and scholarship expenses

	2022	2021 As restated
Training expenses	1,706,454	1,178,355
	1,706,454	1,178,355

Training expenses include expenses incurred for the participation/attendance in and conduct of trainings, seminars and workshops.

25.3 Supplies and materials expenses

	2022	2021 As restated
Fuel, oil and lubricants expenses	57,831,783	36,138,293
Office supplies expenses	26,700,705	28,019,555
Semi-expendable machinery and equipment expenses	21,446,954	174,143,959
Agricultural and marine supplies expenses	19,379,674	22,464,139
Semi-expendable furniture, fixtures and books expenses	8,558,298	3,245,728
Housekeeping/cleaning supplies expenses	1,928,866	1,842,874
Electrical supplies and materials expenses	1,748,409	1,538,194
Accountable forms, plates and stickers expenses	1,706,595	2,523,900
Linens and beddings expenses	381,222	320,513
Medical, dental and laboratory supplies expenses	366,100	863,282
Drugs and medicine expenses	123,208	7,231,940
Non-accountable forms expenses	336	1,000
Other supplies and materials expenses	11,344,683	24,757,378
	151,516,833	303,090,755

Supplies and materials expense include expenses on commonly used supplies and semi-expendable properties below the P50,000 threshold.

25.4 Utility expenses

	2022	2021 As restated
Electricity expenses	78,628,751	66,929,470
Water expenses	9,704,996	10,524,260
Other utility expenses	26,011	24,901
	88,359,758	77,478,631

Utility expenses include expenses for water and electricity consumed by the Authority supplied by local distribution companies.

25.5 Communication expenses

	2022	2021 As restated
Internet subscription expenses	7,228,069	4,920,497
Telephone expenses	4,119,684	4,776,305
Postage and courier services	716,101	944,805
Cable, satellite, telegraph and radio expenses	487,241	525,299
	12,551,095	11,166,906

Communication expenses account includes cost incurred for delivery/transmission of official messages, mails, records, documents and the like. This also includes telecommunication expenses incurred in the performance of service.

25.6 Awards/rewards, prizes and indemnities

	2022	2021 As restated
Awards/rewards expenses	1,905,375	1,136,936
Prizes	755,320	427,500
	2,660,695	1,564,436

Awards/rewards, prizes and indemnities account includes expenses in recognition of any civic or professional achievement and excellent performance. This also includes expenses incurred for competitive activities. Increase in this account is attributed to the celebration of the golden anniversary of the Authority.

25.7 Survey, research, exploration and development expenses

	2022	2021
Survey expenses	49,000	137,572
	49,000	137,572

25.8 Confidential, intelligence and extraordinary expenses

	2022	2021 As restated
Extraordinary and miscellaneous expenses	2,457,488	2,900,474
	2,457,488	2,900,474

Extraordinary and miscellaneous expenses include expenses incurred incidental to the performance of official functions of officers of the Authority.

25.9 Professional services

	2022	2021 As restated
Auditing services	93,483,529	131,820,045
Consultancy services	4,726,853	3,702,540
Legal services	52,331	10,670
Other professional services	5,529,421	1,655,464
	103,792,134	137,188,719

Professional services include expenses incurred for authorized legal services, auditing services rendered by the COA and professional services which are advisory in nature and requiring highly technical or special expertise.

Increase in Consultancy services is due to the engagement of technical consultants for the preparation of coffee table book project in line with the celebration of the NFA's 50th anniversary and of International Organization for Standardization (ISO) Certification of the NFA RO I and La Union BO.

Increase in Other professional services account is attributed to expenses incurred for the services rendered by building maintenance transition team, audio-visual professionals, services of ISO certifying body TUV NORD and commissioning of surveyors for the geotechnical and topographical survey of areas identified as sites of dryers to be constructed.

25.10 General services

	2022	2021 As restated
Security services	368,890,173	369,671,327
Janitorial services	16,408,954	10,887,484
Environment/sanitary services	39,715	6,970,727
Other general services	138,522,606	107,292,939
	523,861,448	494,822,477

General services account includes expenses incurred in keeping the NFA's premises clean and secure. This also includes expenses incurred for job order services.

Significant increase in Other general services is attributed to increase in job order services.

25.11 Repairs and maintenance

	2022	2021 As restated
Transportation equipment	23,064,447	20,453,622
Buildings and other structures	17,957,956	19,713,061
Machinery and equipment	10,637,038	9,590,683
Land improvements	2,325,772	1,497,730
Semi-expendable machinery and equipment	933,439	1,520,080
Furniture and fixtures	431,616	473,450
Leased assets improvements	220,370	137,502
Semi-expendable furniture, fixtures and books	159,836	119,679
Other PPE	256,889	170,065
	55,987,363	53,675,872

Repairs and maintenance account includes expenses incurred in maintaining or keeping NFA's properties operating at its present conditions.

Increase in Repairs and maintenance expenses is attributed to the repairs of machinery and equipment and transportation equipment.

25.12 Taxes, insurance premiums and other fees

	2022	2021 As restated
Insurance expenses	24,709,217	27,748,742
Taxes, duties and licenses	7,542,137	18,523,817
Fidelity bond premium	6,979,982	7,070,289
	39,231,336	53,342,848

Taxes, insurance premiums and other fees include expense incurred such as annual registration fees, license fees and real estate taxes. This account also includes fidelity bond premiums of officers and employees and insurance premiums applied for NFA's properties against fire, loss, calamities and the like.

Significant decrease in this account is attributed to decrease in the payment and recognition of real estate tax.

25.13 Other maintenance and operating expenses

	2022	2021 As restated
Documentary stamps expenses	267,810,833	397,490,800
Transportation and delivery expenses	19,749,059	105,820,045
Rent/lease expenses	16,040,857	39,504,521
Representation expense	12,017,559	8,579,961
Major events and conventions expenses	5,892,154	2,942,661
Subscription expenses	2,541,565	4,870,262
Printing and publication expenses	528,602	349,484
Membership dues and contributions to organizations	462,848	427,552
Advertising expenses	48,770	25,590
Donations	-	45,757,516
Other maintenance and operating expenses	151,996,627	199,235,599
	477,088,874	805,003,991
Total maintenance and other operating expenses	1,520,433,757	1,980,301,354

25.14 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Maintenance and other operating expenses for CY 2021 were restated as follows:

Particulars	Amount
Maintenance and other operating expenses, December 31, 2021	1,783,445,718
Restatements:	
Supplies and materials expenses	172,001,111
Other maintenance and operating expenses	21,682,224
General services	4,955,991
Awards/rewards, prizes and indemnities	72,000
Professional services	15,400
Taxes, insurance premiums and other fees	(760,680)
Repairs and maintenance	(674,125)
Travelling expenses	(244,542)
Utility expenses	(161,271)
Communication expenses	(27,597)
Training and scholarship expenses	(1,500)
Confidential, intelligence and extraordinary expenses	(1,375)
Total restatements	196,855,636
Maintenance and other operating expense, December 31, 2021, as restated	1,980,301,354

25.14.1 In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, Other maintenance and operating expenses account for CY 2021 was restated as follows:

Particulars	Amount
Other maintenance and operating expenses, December 31, 2021	783,321,767
Restatement	
Under set-up of Other maintenance and operating expenses	21,682,224
Total restatement	21,682,224
Other maintenance and operating expenses, December 31, 2021, as restated	805,003,991

25.14.2 In accordance with IPSAS 3 – *Accounting Policies, Changes in Accounting Estimates and Errors*, Donations for CY 2021 was restated as follows:

Particulars	Amount
Donations, December 31, 2021	2,468,719
Restatement:	
Donations to victims of typhoon and affected by COVID-19 pandemic	43,288,797
Total restatements	43,288,797
Donations, December 31, 2021, as restated	45,757,516

Other maintenance and operating expenses include cost incurred for advertisement, printing and publications of documents such printing of the NFA CO Building As-Build Plan, bookbinding and reproduction of documents and minutes of the meeting, subscription expenses for internet security gateway license for Sophos SG-550 for the NFA Data Center and Zoom Video conferencing, representation expenses incurred for official meetings and functions, transportation and delivery expenses for transporting rice and palay in the ordinary course of business operations, rent/lease expenses for office/warehouse/equipment/land, expenses for major events and expenses related to distribution and maintenance of stocks such as remilling, handling and empty sacks.

Documentary stamps expenses is a tax on documents, instruments, loan agreements and papers evidencing the acceptance, assignment, sale or transfer of an obligation, right or property incident thereto. It is usually collected at the time of registration with the concerned authority.

Significant decrease in Other maintenance and operating expenses is attributed to decrease in procurement and sales volume, trucking and handling services, rent/lease of warehouses, empty sacks and documentary stamp tax.

26. FINANCIAL EXPENSES

This account includes the following:

	2022	2021 As restated
Interest expenses	1,637,483,438	1,999,305,294
Guarantee fees	422,551,807	766,162,190
Bank charges	151,130	281,931
Other financial charges	13,180	10,150
	2,060,199,555	2,765,759,565

Financial expenses account includes interest incurred for the NFA's short-term and long-term loans from the National Government and various financial institutions and guarantee fees equivalent to one per cent charged by the BTr on guarantees extended to cover

obligations contracted. This account also includes bank and other financial charges imposed by financial institutions for various services rendered.

26.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Financial expenses for CY 2021 were restated as follows:

Particulars	Amount
Financial expenses, December 31, 2021	2,773,788,820
Restatements:	
Interest expenses	(8,027,772)
Bank charges	(1,763)
Other financial charges	280
Total restatements	(8,029,255)
Financial expenses, December 31, 2021, as restated	2,765,759,565

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

Particulars	Amount
Interest expenses, December 31, 2021	2,007,333,066
Restatement	
Over set-up due to change of interest rate for net lending	(8,027,772)
Total restatement	(8,027,772)
Interest expenses, December 31, 2021, as restated	1,999,305,294

27. DIRECT COSTS

Cost of sales for CY 2022:

	Quantity net kilogram (nkg)	Unit Cost	Amount
Local rice, well milled	285,303,831	34	9,612,859,157
Damaged grains	237,831	31	7,271,398
	285,541,662	34	9,620,130,555

Cost of sales for CY 2021:

	Quantity (nkg)	Unit Cost	Amount
Local rice, regular milled	18,900	34	643,497
Local rice, well milled	413,228,256	33	13,830,571,574
Imported rice, 15% brokens	466	31	14,373
Imported rice, 25% brokens	1,968	36	71,430
Damaged grains	123,574	33	4,088,848
	413,373,164	33	13,835,389,722

Cost of sales refers to the cost of rice sold during the period. Decrease in cost of sales is attributed to decrease in the quantity of rice sold to various stakeholders such as government agencies/offices and private entities involved in disaster and relief operations.

27.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Direct costs account for CY 2021 was restated as follows:

Particulars	Amount
Direct costs, December 31, 2021	13,637,101,649
Restatement:	
Cost of sales	198,288,073
Direct costs, December 31, 2021, as restated	13,835,389,722

28. NON-CASH EXPENSES

This account includes the following:

28.1 Depreciation

	2022	2021 As restated
Buildings and other structures	91,099,002	84,339,552
Machinery and equipment	41,075,729	63,829,722
Transportation equipment	15,596,430	8,601,162
Land improvements	14,422,620	13,725,161
Furniture, fixtures and books	937,422	2,391,750
Leased assets improvement	333,243	382,746
Other PPE	217,390	832,202
	163,681,836	174,102,295

Depreciation expense refers to periodic allocation of cost of PPE for estimated wear and tear over its useful life.

28.2 Amortization

	2022	2021
Intangible assets	25,650	25,650
	25,650	25,650

Amortization expense refers to periodic allocation of cost of intangible asset over its finite useful life.

28.3 Impairment loss

	2022	2021 As restated
Loans and receivables	11,744,118	70,778,330
Other receivables	99,260,399	98,411
Inventories	9,796,147	3,414,859
PPE	1,060,785	624,096
Investment in stocks	82,657	-
Other assets	80,203	85,183
	122,024,309	75,000,879
Total non-cash expenses	285,731,795	249,128,824

Impairment loss refers to the provision for impairment arising from non-collection of receivables and loss/obsolescence/damage of assets.

Significant increase in the impairment loss on Other receivables is attributed to accounts which remained dormant for 15 to 45 years.

28.4 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Non-cash expenses for CY 2021 were restated as follows:

Particulars	Amount
Non-cash expenses, December 31, 2021	177,006,604
Restatements:	
Depreciation	16,674,309
Impairment loss	55,447,911
Total restatements	72,122,220
Non-cash expenses, December 31, 2021, as restated	249,128,824

29. OTHER NON-OPERATING INCOME

	2022	2021 As restated
Proceeds from insurance and indemnities	4,627,975	2,051,812
Miscellaneous income	90,766,155	130,043,346
	95,394,130	132,095,158

Other non-operating income account consists of proceeds from insurance claims from the GSIS and miscellaneous income, such as, income from the sale of by-products, empty sacks/container, waste materials, bid documents, overages, non-refundable bidding fees, forfeiture of bond/retention fees, etc.

Significant decrease in Other non-operating income account is attributed to the decrease in the sale of by-products.

29.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Other non-operating income account for CY 2021 was restated as follows:

Particulars	Amount
Other non-operating income, December 31, 2021	130,286,794
Restatement:	
Miscellaneous income	1,808,364
Total restatement	1,808,364
Other non-operating income, December 31, 2021, as restated	132,095,158

30. GAINS

This account consists of the following:

	2022	2021 As restated
Gain on foreign exchange (FOREX)	12,006,221	8,314,139
Gain on sale of unserviceable property	3,702,356	727,794
Gain on sale of PPE	2,853,656	43,499
	18,562,233	9,085,432

Gain on FOREX represents gain on valuation of dollar deposits based on BSP's exchange rate at the end of accounting period. Increase is attributed to the higher exchange rate as of December 31, 2022.

30.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Gains for CY 2021 were restated as follows:

Particulars	Amount
Gains, December 31, 2021	9,115,765
Restatement:	
Gain on sale of unserviceable property	(30,333)
Total restatement	(30,333)
Gains, December 31, 2021, as restated	9,085,432

31. LOSSES

This account consists of the following:

	2022	2021 As restated
Loss of assets	173,563,269	220,425,054
Loss on sale of asset	488,908	512,402
Loss on sale of unserviceable property	158,181	57,252
Loss on sale of PPE	36,997	152,495
	174,247,355	221,147,202

Loss of assets refers to the loss suffered by NFA such as loss due to transfers of stocks (palay and rice), shortages of accountable officers, physical inventory count, sale of damaged stocks, insurance claims, loss of PPE and other assets.

31.1 In accordance with IPSAS 3 - *Accounting Policies, Changes in Accounting Estimates and Errors*, Losses for CY 2021 were restated as follows:

Particulars	Amount
Losses, December 31, 2021	(224,370,508)
Restatements:	
Loss on sale of asset	3,320,220
Loss on sale of PPE	(96,914)
Losses, December 31, 2021, as restated	(221,147,202)

32. SUBSIDY FROM NATIONAL GOVERNMENT

This account consists of the following:

	2022	2021
Subsidy from National Government for the implementation of the buffer stocking program:		
SARO-BMB-C-22-0001509	7,000,000,000	
SARO-BMB-C-21-000473		7,000,000,000
Conversion of NG Advances into subsidy:		
SARO-BMB-C-22-0001510	2,204,142,000	
SARO-BMB-C-21-0000447		7,464,815,000
	9,204,142,000	14,464,815,000

33. ACCUMULATED SURPLUS/(DEFICIT)

	Amount
Balance at January 1, 2021	(135,617,389,064)
Changes in accounting policy	(105,700,375)
Prior period errors:	
PY adjustments to expenses	(117,433,789)
PY adjustments to revenue	22,371,941
<i>Total PY adjustments</i>	<i>(200,762,223)</i>
<i>Other adjustments</i>	<i>137,079,669</i>
Restated balance at January 1, 2021	(135,681,071,618)
Changes in net assets/equity for CY 2021	
Surplus/(deficit) for CY 2021	4,864,428,510
Prior period errors (2021):	
Adjustments to revenue	162,112,891
Adjustments to expenses	(449,558,280)
<i>Restated surplus/(deficit) for CY 2021</i>	<i>4,576,983,121</i>
Other adjustments for CY 2021	1,577,552,265
Add/(deduct): other adjustments (CY 2021)	841,967,246
<i>Restated other adjustments for CY 2021</i>	<i>2,419,519,511</i>
Restated balance at December 31, 2021	(128,684,568,986)
Surplus/(deficit) for CY 2022	1,400,484,441
Other adjustments for CY 2022	(996,630,684)
Balance at December 31, 2022	(128,280,715,229)

Accumulated surplus/(deficit) account represents the cumulative results of normal and continuous operations of the NFA. This account also includes effects of changes in accounting policy and prior period adjustments.

The following are the identified prior period adjustments made in CY 2022 pertaining to CYs 2021 and 2020 and prior years:

	2021	2020 & PYs	Total
Revenue			
Service and business income	160,334,860	4,590,510	164,925,370
Shares, grants and donations	-	209,093	209,093
Other non-operating income	1,808,364	5,540,578	7,348,942
Gains	(30,333)	12,031,760	12,001,427
Total adjustments to revenue	162,112,891	22,371,941	184,484,832
Expenses			
Personnel services	6,455,088	19,789,994	26,245,082
MOOE	(196,855,636)	(203,658,635)	(400,514,271)
Financial expenses	8,029,255	(153,285,744)	(145,256,489)
Direct costs	(198,288,073)	(633,156)	(198,921,229)
Non-cash expenses	(72,122,220)	158,167,657	86,045,437
Losses	3,223,306	(43,514,280)	(40,290,974)
Total adjustments to expenses	(449,558,280)	(223,134,164)	(672,692,444)
Other adjustments	841,967,246	137,079,669	979,046,915
Net adjustments to accumulated surplus/(deficit)	554,521,857	(63,682,554)	490,839,303

PY – prior years

Other adjustments for CYs 2021 and 2020 and earlier pertain to reconciled intra-agency accounts between and among CO, ROs and BOs. This also includes adjustments to contingent capital such as shortages and disallowances.

34. CONTRIBUTED CAPITAL

From CYs 1980 to 2007, total capital contribution of the National Government to the NFA amounted to P5.000 billion. This account is already reconciled with the records of the BTr.

35. RELATED PARTY TRANSACTIONS

35.1 As of December 31, 2022, the NFA Council is composed of the following:

Position	Name	Position from Other Agencies
Chairperson	H.E. Ferdinand R. Marcos, Jr.	Secretary, DA
Alternate	Mr. Domingo F. Panganiban	Senior Undersecretary, DA
Vice-Chairperson	Ms. Judy Carol L. Dansal	Administrator, NFA
Member	Mr. Felipe M. Medalla, Ph.D.	Governor, BSP
Alternate	Ms. Bernadette Fatima T. Romulo-Puyat	Deputy Governor, BSP
Secondary alternate	Ms. Sittie Hannisha M. Butocan	Director, BSP
Member	Ms. Cecilia C. Borromeo	President and Chief Executive Officer (CEO), LBP
Alternate	Mr. Elcid C. Pangilinan	Senior Vice President, LBP
Member	Mr. Benjamin E. Diokno, Ph.D.	Secretary, DOF
Alternate	Ms. Rosalia V. De Leon	National Treasurer, BTr
Member	Mr. Alfredo E. Pascual	Secretary, Department of Trade and Industry (DTI)
Alternate	Atty. Ruth B. Castelo	Undersecretary, DTI
Secondary alternate	Atty. Ann Claire C. Cabochan	Assistant Secretary, DTI
Member	Mr. Arsenio M. Balisacan, Ph.D.	Secretary, National Economic and Development Authority (NEDA)
Alternate	Ms. Rosemarie G. Edillion	Undersecretary, NEDA
Alternate	Ms. Nieva T. Natural	Secondary Representative, NEDA
Member	Mr. Lucas P. Bersamin	Executive Secretary, OP
Alternate	Atty. Naealla B. Aguinaldo	Undersecretary, OP
Member	Mr. Erwin T. Tulfo	Secretary, DWSD
Alternate	Mr. Marco M. Bautista	Undersecretary, DSWD
Secondary alternate	Dr. Diana Rose S. Cajipe	Assistant Secretary, DSWD
Alternate	Ms. Corazon L. Macaraeg	Officer-in-Charge (OIC), DSWD

Remuneration given to the NFA Council for CYs 2022 and 2021 are as follows:

	2022	2021
Per Diem on Board Meetings	-	137,640
	-	137,640

35.2 Key Management Personnel Remuneration and Compensation

For CYs 2022 and 2021, the NFA's key management personnel is composed of Administrator, Deputy Administrator, Assistant Administrator for Marketing Operations and Assistant Administrator for Finance and Administration.

Remuneration of key management personnel for CYs 2022 and 2021 are as follows:

	2022	2021
Salaries and wages	6,547,595	6,527,922
Allowances and other benefits	4,410,668	4,349,015
	10,958,263	10,876,937

36. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The NFA's Corporate Operating Budget (COB) for FY 2022 per NFA Council Resolution No. 1009-2021-G dated July 19, 2021, submitted pursuant to Section 6 of EO No. 518, Series of 1979 and Section 19, Chapter 3, Book VI of EO 292, Series of 1987, was approved for a total amount of P45,382,656,000.

Service and business income account includes receipts from the sale of rice and other income. The difference between the final budget and actual amounts is attributed to calibrated distribution.

Other receipt account pertains to net lending. The difference is attributed to unapproved portion.

The difference in Personnel services account is attributed to vacant/unfilled positions due to on-going restructuring and resignation of employees.

MOOE account includes regular MOOE, procurement costs and payment of obligations. The difference in MOOE is attributed to the decrease in some MOOE and unmet procurement target caused by price and environmental factors.

Difference in capital outlay account is attributed to the deferral of multi-year projects.

Difference in Financial expenses account is attributed to the increase in interest rates.

37. SUPPLEMENTARY INFORMATION REQUIRED BY BIR

37.1 Revenue Regulation (RR) No. 15-2010

RR No. 15-2010, amending RR No. 21-2002, provides, among others, that the Notes to Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year, in addition to the disclosures mandated under the IPSASs, and such other standards and/or conventions as may be adopted.

RR No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying Income Tax Return (ITR) was amended under RR No. 15-2010. The amendment that became effective on December 28, 2010 requires 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 the IPSASs and such other standards and/or conventions. Hereunder is the additional information required by RR No. 15-2010.

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

a. Taxes and licenses

	2022	2021 As restated
Real estate tax	5,843,275	15,598,166
BIR registration	2,500	1,500
	5,845,775	15,599,666

b. Withholding taxes

The amount of withholding taxes withheld and remitted for the year is as follows:

	2022	2021
Tax withheld from suppliers of goods and services	213,756,194	236,283,161
Tax withheld from employees' compensation	54,392,753	48,505,899
	268,148,947	284,789,060

c. Documentary Stamp Tax (DST)

	2022	2021
Documentary stamps expenses	267,810,833	397,490,800
	267,810,833	397,490,800

d. Tax cases

As of December 31, 2022, the NFA has the following real property tax cases filed against the LGUs involving claims for exemption from payment of real property taxes:

Status	2022		2021	
	No. of Cases	Amount	No. of Cases	Amount
With pending case	22	236,032,629	23	106,139,962
With granted and final	9	27,173,837	6	13,900,753
	31	263,206,466	29	120,040,715

37.2 RR No. 19-2011

RR No. 02-14 was issued to supersede RR No. 19-2011, prescribing the new BIR Forms to be used for Income Tax filing starting the taxable year ended December 31, 2013. In the case of corporations using BIR Form No. 1702-RT, the taxpayer is required to include as part of its notes to the audited financial statements, which will be attached to the ITR, the schedules and information on taxable income and deductions to be taken. The information is presented for the purposes of filing with the BIR and is not required part of the basic financial statements.

The amounts of revenues and income, deductible cost and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amount of revenues reflected in the Statement of Financial Performance for the year ended December 31, 2022. Moreover, the legal basis of tax relief/exemption of the NFA is expressly stated in PD Nos. 4 and 1770.

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

a. Sales

	Per financial statements		Per ITR
Sales	7,107,767,415	Sales/receipts/revenues/fees	7,107,767,415

b. Cost of sales

	Per financial statements		Per ITR
Cost of sales	9,620,130,555	Cost of sales/services	9,620,130,555

c. Non-operating and taxable other income

	Per financial statements		Per ITR
Service income	21,249,233	Non-operating and taxable	172,085,007
Business income	7,197,935,569	Other income	
Less: Sales	(7,107,767,415)		
Dividend income	(50,000,000)		
Interest income	(4,597,266)		
Shares, grants and donations	19,870,756		
Other non-operating income	95,394,130		
	172,085,007		172,085,007

d. Allowable deductions

	Per financial statements		Per ITR
Amortization	25,650	Amortization	25,650
Impairment loss -loans and receivables	11,744,118	Bad debts	111,004,517
Impairment loss -other receivables	99,260,399		
	111,004,517		111,004,517
Depreciation	163,681,836	Depreciation	163,681,836
Confidential, intelligence and extraordinary expenses	2,457,488	Entertainment, amusement and recreation	2,457,488
Interest expenses	1,637,483,438	Interest	1,637,483,438
Impairment loss -Inventories	9,796,147	Losses	178,711,135
Impairment loss -PPE	1,060,785		
Impairment loss -Investment in stocks	82,657		
Impairment loss -Other assets	80,203		
Net losses	167,691,343		
	178,711,135		178,711,135
Rent/lease expenses	16,040,857	Rental	16,040,857
Salaries and wages	852,455,928	Salaries, wages and	
Other compensation	321,839,307	Allowances	1,342,548,057
Other personnel benefit	168,252,822		
	1,342,548,057		1,342,548,057

	Per financial statements		Per ITR
		SSS, GSIS, PhilHealth, HDMF and other	
Personnel benefit contributions	153,378,406	contributions	153,378,406
Taxes, duties, and licenses	7,542,137	Taxes and licenses	14,522,119
Fidelity bond premium	6,979,982		
	14,522,119		14,522,119
Transportation and delivery expenses	19,749,059	Transportation and travel	80,920,338
Travelling expenses	61,171,279		
	80,920,338		80,920,338
Janitorial services	16,408,954	Janitorial services	16,408,954
Legal services	52,331	Professional services	99,065,281
Auditing services	93,483,529		
Other professional services	5,529,421		
	99,065,281		99,065,281
Security services	368,890,173	Security services	368,890,173
Utility expenses	88,359,758	Communication, light and	
Communication expenses	12,551,095	Water	100,910,853
	100,910,853		100,910,853
Supplies and materials expenses	151,516,833	Office supplies	93,685,050
Less: fuel, oil and lubricants expenses	(57,831,783)		
	93,685,050		93,685,050
Fuel, oil and lubricants expenses	57,831,783	Fuel and oil	57,831,783
Insurance expenses	24,709,217	Insurance	24,709,217
Consultancy services	4,726,853	Management and consultancy fees	4,726,853
Training and scholarship expenses	1,706,454	Others	1,062,980,908
Awards/rewards, prizes and indemnities	2,660,695		
Survey, research, exploration and development expenses	49,000		
Environment/sanitary services	39,715		
Other general services	138,522,606		
Repairs and maintenance	55,987,363		
Advertising expenses	48,770		
Printing and publication expenses	528,602		
Representation expenses	12,017,559		
Membership dues and contributions to organizations	462,848		
Subscription expenses	2,541,565		
Documentary stamps expenses	267,810,833		
Major events and conventions expenses	5,892,154		
Other maintenance and operating expenses	151,996,627		
Guarantee fees	422,551,807		
Bank charges	151,130		
Other financial charges	13,180		
	1,062,980,908		1,062,980,908
TOTAL	5,529,982,913		5,529,982,913

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The existence in the financial statements of the Intra-agency receivables account in the amount of P1.552 billion which did not meet the definition of an asset under Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1, in view of the non-elimination at year-end of the Intra-agency receivables and payables accounts in the amounts of P17.838 billion and P16.286 billion, respectively, resulted in the overstatement of the total assets of P18.759 billion by P1.552 billion and Accumulated surplus/(deficit) account by the same amount as at December 31, 2022. Likewise, the Receivables-Other receivables-Due from officers and employees account in the amount of P1.517 billion as at December 31, 2022 included stock shortages of Stock Accountable Officers (SAOs) with total carrying amount of P1.333 billion which were not presented at their fair values due to non-computation of the tolerable allowance (TOLA) to determine the final accountabilities of the SAOs, thus resulted in the overstatement of the said account and Accumulated surplus/(deficit) account by undetermined amount, contrary to Paragraph 48 of IPSAS 29. Moreover, the faithful representation in the financial statements and verifiability of the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees, and Other receivables-other receivables accounts in the amounts of P36.950 million, P1.517 billion and P1.315 billion, respectively, as at December 31, 2022 were not established as these included accounts in the total amount of P454.096 million without supporting documents, contrary to Paragraphs 3.10 and 3.26 of the Conceptual Framework for General Purpose Financial Reporting (Conceptual Framework, for brevity).

Existence in the financial statements of the Intra-agency receivables account in the amount of P1.552 billion which did not meet the definition of an asset under Paragraph 7 of IPSAS 1

- 1.1. Chapter 5 of the Conceptual Framework defines the elements used in financial statements and provides further explanation about those definitions, while Chapter 6 identifies the criteria that must be satisfied in order for an element to be recognized in the financial statements such that an item satisfies the definition of an element and it can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in General Purpose Financial Reports.
- 1.2. Paragraph 7 of IPSAS 1 – *Presentation of Financial Statements* defined Assets and Liabilities, viz.:

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

- 1.3. Moreover, Paragraph 27 of IPSAS 1 provides that:

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

- 1.4. Notes 10.1 and 10.2 to financial statements of the NFA as at December 31, 2022 disclosed the inclusion of the Intra-agency receivables and Intra-agency payables accounts of P17.838 billion and P16.286 billion, respectively, or Intra-agency receivables in the net amount of P1.552 billion. Further, Note 10.3 to financial statements provides disclosures, as follows:

Intra-agency receivables account represents transfer of funds and other assets like supplies, inventories of rice, [Property, plant and equipment] PPE, etc. for use in NFA [Central Office] CO, [Regional Offices] ROs and [Branch Offices] BOs and are recorded as receivable (Due from) by the issuing office and payable (Due to) by the receiving office.

Intra-agency payables account represents transfer of funds and other assets like supplies, inventories, equipment, etc. for use in NFA CO, ROs and BOs and are recorded as payable (Due to) by the receiving office and receivable (Due from) by the issuing office.

Reconciled intra-agency receivables/payables accounts are being closed/eliminated using Accumulated surplus/(deficit) account.

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For the CY 2022, for financial statements presentation, these Intra-agency accounts were offset with a net balance of P1.552 billion in the Intra-agency receivables. These balances are still in the process of reconciliation.

- 1.5. The NFA complied with Commission on Audit (COA) Circular No. 2020-002 dated January 28, 2020, re: *Adoption of the Updated Revised Chart of Accounts (RCA) for Government Corporations (GCs)* and Annex C of the

same Circular provides descriptions of the Intra-agency Receivables and Payables accounts, as presented in Table 1.

Table 1 – Descriptions of Intra-agency Receivables and Payables Accounts

Intra-Agency Receivables	Intra-Agency Payables
<p>Due from Operating/Field Units This account is debited to recognize receivables of central/home/head office from its operating/field units below regional/branch level. It also includes fund transfers to an operating unit from another operating unit of the same government corporation. This account is credited for receipt of payment, liquidation, write-off, and/or adjustments.</p>	<p>Due to Operating/Field Units This account is credited to recognize payables of central/home/head office from its operating/field units below regional/branch level. It also includes fund transfers to an operating/field unit from another operating/field unit of the same government corporation, subject to liquidation and other intra-agency transactions. This account is debited for payment/liquidation of payable account, and/or adjustments.</p>
<p>Due from Central/Home/Head Office This account is debited to recognize the amount of receivables of regional/branch/field offices from the central/home/head office. This account is credited for receipt of payment.</p>	<p>Due to Central/Home/Head Office This account is credited to recognize the receipt of funds from the Central/Head/Home Office by Regional/Branch/Field Offices of government corporation for the implementation of specific programs or project subject to liquidation and other intra-agency transactions. This account is debited for liquidation of funds received, settlement of liabilities, and/or adjustments.</p>
<p>Due from Regional/Branch Offices This account is debited to recognize the amount of receivables of central/home/head office from its regional/branch office. It also includes receivables to a regional/branch office from another regional/branch office of the same government corporation. This account is credited for receipt of payment, liquidation, write-off, and/or adjustments.</p>	<p>Due to Regional/Branch Offices This account is credited to recognize payables of the Central/Head/Home Office to Regional/Branch Offices. This account is debited for liquidation of funds received, settlement of liabilities, and/or adjustments.</p>

- 1.6. As discussed in paragraph 1.4 hereof, the Intra-agency receivables and payables accounts balances as at December 31, 2022 were not yet fully reconciled and eliminated/closed to Accumulated surplus/(deficit) account, notwithstanding the prior years' audit recommendations persistently reiterating to immediately reconcile and take up appropriate adjusting entries to zero out these accounts.
- 1.7. Since these reciprocal accounts are used for the recognition of assets/liabilities or charging of income/expenses attributable from/to the different NFA offices; and for the liquidation, write-off, and/or adjustments, these intra-agency transactions should have been eliminated during the combination of ROs/BOs balances in the preparation of the year-end financial statements by the NFA CO, hence, should have zero balances.
- 1.8. It is worth mentioning that the Finance Department had exerted efforts in the significant reduction of the balances of the Intra-agency receivables and payables accounts as at December 31, 2022 by P4.344 billion or 19.58 per cent and P3.210 billion or 16.47 per cent, respectively, as compared to Calendar Year (CY) 2021 restated balances of P22.182 billion and P19.496 billion, respectively, as presented in Table 2.

**Table 2 - Intra-agency Receivables and Payables Accounts
As at December 31, 2022 and 2021**

Account	Amount		Increase (Decrease)	
	2022	2021 (As restated)	Amount	Percentage
Intra-agency receivables				
Due from CO	P 5,027,842,221	P 7,044,563,188	P(2,016,720,967)	(28.63)
Due from Operating Units (OUs)	9,893,072,871	12,242,697,822	(2,349,624,951)	(19.19)
Due from ROs	2,917,276,270	2,895,032,545	22,243,725	0.77
	P17,838,191,362	P22,182,293,555	P(4,344,102,193)	(19.58)
Intra-agency payables				
Due to CO	P 6,975,734,308	P 7,439,711,101	P (463,976,793)	(6.24)
Due to ROs	3,601,396,359	4,064,760,334	(463,363,975)	(11.40)
Due to OUs	5,708,798,333	7,991,714,942	(2,282,916,609)	(28.57)
	P16,285,929,000	P19,496,186,377	P(3,210,257,377)	(16.47)
Intra-agency receivables, net	P 1,552,262,362	P 2,686,107,178	P(1,133,844,816)	(42.21)

- 1.9. In CY 2021 and prior years, the full balances of the Intra-agency receivables and payables accounts as at December 31 were presented in the Statement of Financial Position as assets and liabilities, respectively. However, since these accounts can neither be considered as assets nor liabilities as defined in Paragraph 7 of IPSAS 1, and do not meet the recognition and measurement criteria under Chapters 5 and 6 of the Conceptual Framework for financial statements presentation purposes, the NFA presented the net amount of P1.552 billion between the balances of the Intra-agency receivables of P17.838 billion and Intra-agency payables of P16.286 billion as asset in the Statement of Financial Position as at December 31, 2022.
- 1.10. As disclosed in the previous years' Annual Audit Reports (AARs), the non-elimination of these reciprocal accounts could be attributed to, among others, the following:
- a. Delayed/non-submission of schedule of transactions and reconciliation statements by the responsible office to the responding office, which is not in accordance with Items II.F and II.G (2) of NFA Standard Operating Procedure (SOP) No. FS-GP13.B dated October 24, 2014, which state, viz.:

F. Reporting of Interbranch Transactions

*A Schedule of Interbranch Transactions shall be prepared **monthly** indicating the interbranch transactions for the period. Same shall be submitted **every 2nd day** of the succeeding month to the originating and receiving office. These schedules shall serve as basis for confirmation and reconciliation on any variance that may arise within the reporting period.*

G. Reconciliation of Interbranch Accounts

1. Xxxx

2. *The C.O. and R.O., as clearing offices, shall prepare a monthly reconciliation statement to determine variances that may arise between the reciprocal accounts. A copy of the **reconciliation statement** shall be sent to the concerned offices to inform them of the variance(s) and to effect the necessary adjustments.*
- b. Delayed/non-preparation of elimination and reconciling entries by the RO and CO, contrary to Item II.G (3) of the same NFA SOP, which provides, *“The Regional Office shall prepare **elimination and reconciling entries** to eliminate the variance of the reciprocal accounts. These elimination/reconciling entries shall be reversed at the beginning of the next accounting period. For purposes of preparing consolidated financial statements, the Central Office/Regional Offices shall present the net effect of the interbranch accounts in the equity portion.”*
- c. Intra-agency account balances were closed to Government equity account upon reconciliation, which is not in accordance with Item II.E (3.1) of NFA SOP No. FS-GP13 dated April 21, 1997, which states that *“All interbranch account balances as of March 1, 1997 under the Receivable and Payable Accounts shall be reclassified under the Equity Accounts.”*
- d. Delayed/non-confirmation of advices from ROs/BOs;
- e. Non-coordination between and among CO, ROs and BOs;
- f. Incomplete/non-submission of Journal Entry Vouchers (JEVs) by the originating office to support the accounting entries related to reconciliation;
- g. Non-revision/update of the existing SOPs to align with changes in the NFA’s new structure such as the recording of reciprocal accounts in the books of the absorbing BOs, in view of the merging of Provincial Offices (POs) to BOs pursuant to Republic Act (RA) No. 11203, otherwise known as the *Rice Tariffication Act*, and its Implementing Rules and Regulations (IRR);
- h. Non-observance by the ROs and BOs of the uniform rules or procedures on intra-agency transactions resulting in the misclassification of accounts; and
- i. Absence of records or documents of prior years’ intra-agency transactions.

- 1.11. Audit revealed that one of the causes of the variance between the reciprocal accounts is due to the unreconciled Inter-agency payables-Due to National Government Agencies (NGAs)-Due to Bureau of Customs (BOC) account between the records of the BOs and CO.

**Table 3 - Outstanding Balances of Inter-agency Payables-Due to NGAs-Due to BOC Account, NFA BOs and CO Books
As at December 31, 2022**

Particulars	BOs	CO	Total
Customs Duties	P 221,001,023	P181,195,200	P 402,196,223
Customs Duties (Prior to 2016)	727,409,536	-	727,409,536
Customs Duties (2016-Present)	82,359,928	-	82,359,928
Confiscated Sugar	27,832	-	27,832
	P1,030,798,319	P181,195,200	P1,211,993,519

- 1.12. Prior to the enactment of RA No. 11203, the NFA imports rice and sugar wherein the customs duties covering the importation were subsidized by the National Government (NG) through Tax Expenditure Subsidy (TES). The latest guidelines on importation embodied in NFA SOP No. FS-FA14: *Implementing Guidelines on the Accounting Recognition of Customs Duties as Tax Subsidy on Rice Importation* dated December 6, 2016, provides in Section II.B, among others, the following:

4. *Upon receipt of the stocks in the first warehouse, the Accounting Section will record in the books the cost of stocks, including capitalized expenses and customs duties due to the BOC. A copy of the Journal Entry Voucher (JEV) is provided by the Field Office to Accounting Services Department (ASD) for the reciprocal entry in Central Office books.*
5. *The Accounting Services Department (ASD) in Central Office will maintain a Supplier's account/s based on the Field Office recording in the books. Inter-branch accounting will, likewise, be observed in recording the stock receipts.*
6. *Upon receipt of SARO [Special Allotment Release Order] from DBM [Department of Budget and Management], the amount will be recognized as subsidy income in Central Office books, with the corresponding adjustments, if any, in the customs duties recorded in the Field Office books. ASD will provide a copy of the JEV to the Field Office as basis of the latter in recording the corresponding entry in the books.*

- 1.13. The Inter-agency payables-Due to NGAs-Due to BOC account represents customs duties (set-up of tariff expenses) on the importation of sugar in CYs 1999 to 2002 and rice for CYs 2017 and 2018, which had an outstanding balance of P1.212 billion as at December 31, 2022 based on

the disclosure in Note 18.6 to financial statements with details presented in Table 3. The said balance remained inactive since CY 2020 due to the non-participation of the NFA in rice importation as provided in RA No. 11203.

- 1.14. As shown in Table 3, the Inter-agency payables-Due to NGAs-Due to BOC account amounting to P1.031 billion was recognized in the NFA BOs books with corresponding debits to Intra-agency receivables-Due from OUs in the NFA CO books. However, these accounts were not reconciled at year-end due to non-compliance by both CO and BOs with Section II.B.6 of SOP No. FS-FA14, despite of the receipt by the NFA CO of the SAROs from the DBM considering that the corresponding Subsidy income had already been recognized in the books of CO. The NFA CO did not inform the BOs concerned on the payments of customs duties through TES by providing copy of JEVs and SARO to the BOs, thus, the Inter-agency payables-Due to NGAs-Due to BOC and the Intra-agency receivables-Due from OUs accounts were not closed/derecognized by the BOs/COs in their books of accounts. It is worth to mention that based on the BOC financial statements as of December 31, 2021 (published in the COA Website) did not show any receivable from the NFA.
- 1.15. In Region I-La Union BO, the Inter-agency payables-Due to NGAs-Due to BOC account amounting to P93.927 million represents accrued customs duties of imported rice during the period CYs 2005 to 2007 that remained outstanding as at December 31, 2022. Replies of the BOC CO to confirmation letter of La Union BO showed that there were no recorded receivables or further claims against the La Union BO in their books.
- 1.16. In Region VIII-Leyte BO, the amount of P185.833 million pertains to importation duties payable to the BOC relative to NFA RO No. VIII direct importation of rice for the CYs 2018 and 2019. Initially, these were recorded as payable to NFA CO, but reclassified to Inter-agency payables-Due to NGAs-Due to BOC account in December 2018 per NFA CO instruction.
- 1.17. The existence of the Intra-agency receivables account with net balance of P1.552 billion in the Statement of Financial Position as at December 31, 2022, due to the non-elimination of the Intra-agency receivables and payables accounts in the amounts of P17.838 billion and P16.286 billion, respectively, which did not meet the definition of an asset under Paragraph 7 of IPSAS 1, resulted in the overstatement of the total assets of P18.759 billion by P1.552 billion and Accumulated surplus/(deficit) account by the same amount as at December 31, 2022.
- 1.18. **We reiterated our prior years' audit recommendations that top Management direct the CO Finance Department and the ROs/BOs Finance Sections to:**
 - a. **Exert all efforts to fully eliminate the reciprocal accounts, Intra-agency receivables and payables, by conducting a nationwide reconciliation of the discrepancies to come up with a reliable financial statement at year-end;**

- b. **Ensure that all adjustments are duly supported with proper and complete documentations;**
- c. **Strictly adhere to NFA SOP No. FS-GP13, especially on the regular preparation and submission of: (i) Schedule of interbranch transactions, (ii) Reconciliation Statements, (iii) elimination and reconciling entries, and (iv) confirmation advices, as applicable, and to consistently coordinate with other offices to reconcile the discrepancies; and**
- d. **Revisit and update, if necessary, the existing NFA SOP on intra-agency transactions for uniformity in the application of the policies/guidelines by the CO, ROs and BOs due to NFA's structural changes under RA No. 11203 or the Rice Tariffication Law.**

1.19. Management provided the following comments/justifications:

- a. The Finance Department and Finance Sections of the ROs and BOs are consistently coordinating to reconcile the intra-agency transactions. Reconciliation Statements are regularly prepared and submitted. However, there were transactions that remained unreconciled as of December 31, 2022 due to unavailability of documents caused by fortuitous events that struck the NFA offices over the years. Moreover, Management is in the process of revisiting existing SOPs to conform to the Authority's structural changes under RA No. 11203.
- b. Region I – La Union BO had already gathered some of the documents relative to the Inter-agency payables-Due to NGAs-Due to BOC account amounting to P93.927 million and committed to submit them to the Audit Team.
- c. Region VIII - Leyte BO had already prepared a letter and Summary of Transactions and eventually forwarded the same to NFA CO for subsequent closure of the Inter-agency payables-Due to NGAs-Due to BOC account balance to subsidy income.

1.20. As a rejoinder, the Audit Teams appreciated the efforts exerted by Management in prioritizing the reconciliation of the reciprocal accounts. **Further, we recommended that Management make necessary representation with the COA Government Accountancy Sector (GAS) on how to eliminate/close the long outstanding Intra-agency accounts balances in their books in the absence of documents.**

Receivables-Other receivables-Due from officers and employees account in the amount of P1.517 billion as at December 31, 2022 included stock shortages of SAOs with total carrying amount of P1.333 billion which were not presented at their

fair values due to non-computation of the TOLA to determine the final accountabilities of the SAOs, thus resulted in the overstatement of the said account and Accumulated surplus/(deficit) account by undetermined amount

- 1.21. Paragraph 48 of IPSAS 29 provides, among others, that “[a]fter initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal.”
- 1.22. Paragraph 6.8 of the Conceptual Framework provides that, “[T]here may be uncertainty associated with the measurement of many amounts presented in the financial statements. The use of estimates is an essential part of the accrual basis of accounting. A decision about the relevance and faithful representativeness of measurement involves the consideration of techniques, such as using ranges of outcomes and point estimates, and whether additional evidence is available about economic circumstances that existed at the reporting date. Disclosures can provide useful information on estimation techniques employed. There may be rare instances in which the level of uncertainty in a single point estimate is so large that the relevance and faithful representativeness of the measure is questionable even if disclosures are provided to explain estimation techniques. Under these circumstances the item is not recognized.”
- 1.23. NFA SOP No. GM-WH13 dated April 22, 2003, covers the policies and procedures for both past and on-going stock accountabilities of SAOs. Pertinent provisions of the said NFA SOP are as follows:

A. *Stock Examination – xxxx*

1. *The Provincial Office shall now be in charged and responsible for the conduct of grains and MTS [empty sacks] stock examination using the New Computerized Stock Examination System (for Grains & MTS) both for the past and on-going stock accountabilities of stock accountable officers. Since stock examination is a continuing activity for as long as the Provincial Office maintains warehouse/s, the Provincial Office shall form a stock examination (SE) working group which shall be under the supervision of the Provincial Accountant.*

Xxxx

- c. *Primary documents, i.e., WSR [Warehouse Stock Receipt], WSI [Warehouse Stock Issue], WTS [Weigher’s Tally Sheet], ESR [Empty Sack Receipt] and ESI [Empty Sack Issue], preferably the accounting copies, shall be used as source documents in the examination. Xxx.*

If some or all of the abovesaid primary documents are no longer available, the xxx secondary documents may also be used.

- 1.24. Based on the same NFA SOP, after the end of the accountability period of the SAO, the BOs Stock Examination Group subject the SAO to stock examination. If the stock examination resulted in rice stock shortages (the last stock report of the SAO is greater than the actual physical count of rice), the stock examination report is forwarded to the Regional TOLA Working Group for computation of TOLA with corresponding accounting entry to recognize the stock shortage of the SAO by debiting the Receivables-Other receivables-Due from officers and employees account and crediting the Inventories account. The TOLA is the allowable losses on rice stock accountabilities of the SAOs due to, among others, moisture content variation, insect, rodent and bird infestation based on the applicable TOLA factors and methodologies embedded in the New Computerized TOLA Computation System. The BOs Finance Section records in the books the result of stocks examination after TOLA computation with corresponding credit to Receivables-Other receivables-Due from officers and employees account and debit to Accumulated surplus/(deficit) account.
- 1.25. The Receivables-Other receivables-Due from officers and employees account pertains to recognition of cash and stock shortages, and loans of the NFA employees. As of December 31, 2022, the Receivables-Other receivables-Due from officers and employees account amounting to P1.763 billion included stocks shortages of SAOs totaling P1.574 billion or 89.28 per cent, with carrying amount of P1.333 billion, as shown in Table 4. It was noted that these stocks shortages have no TOLA computation, hence not presented at their fair values, contrary to Paragraph 48 of IPSAS 29.

**Table 4 – Summary of Other receivables-Due from Officers and Employees Account
As of December 31, 2022**

Particulars	Gross Amount	Allowance for Impairment	Carrying Amount
NFA SAOs Accountabilities - Without Stock Examination - Past (Title I)	P1,181,944,508	P239,194,633	P942,749,875
NFA SAOs Accountabilities - Without Stock Examination - On-Going (Title I)	54,896,341	-	54,896,341
NFA SAOs Accountabilities - With Management Examination (Title II)	28,359,083	994,180	27,364,903
NFA SAOs Accountabilities - With COA Examination (Title III)	161,753,379	721,878	161,031,501
NFA SAOs Accountabilities - For TOLA Computation (Title IV)	147,320,825	-	147,320,825
<i>Without TOLA Computation</i>	<i>1,574,274,136</i>	<i>240,910,691</i>	<i>1,333,363,445</i>
NFA SAOs Accountabilities - Stocks With TOLA Computation (Title V)	4,407,864	-	4,407,864
NFA SAOs Accountabilities - Stocks With Unresolved Appeal (Title VI)	116,106,687	-	116,106,687
Final Shortages - Still Connected With NFA - Grains (Tittle VII)	43,139,807	353,610	42,786,197
Final Shortages - Still Connected With NFA - MTS (Tittle VII)	56,588	-	56,588
Final Shortages - With Resolved Appeal - No Longer Connected With NFA (Title VIII)	61,152	-	61,152
<i>With TOLA Computation</i>	<i>163,772,098</i>	<i>353,610</i>	<i>163,418,488</i>
Others	25,351,394	5,472,046	19,879,348
Total	P1,763,397,628	P246,736,347	P1,516,661,281

- 1.26. Review of records and documents showed that the accumulation of shortages of SAOs' past accountabilities without TOLA computation, dating back up to five decades old, could be attributed to the lenient implementation of the Authority's policy and guidelines, such as no regular and timely conduct of stock examination and absence of primary documents to facilitate the conduct of such examination. Moreover, the secondary documents could no longer be located and efforts to retrieve the SAOs' copies of documents were also not feasible since most of the SAOs concerned had already retired from the service and could not be contacted, while some were already deceased.
- 1.27. In view of non-conduct of TOLA computation, the stock shortages of the SAOs recorded under the Receivables-Other receivables-Due from officers and employees account are not presented at their fair values, thus resulted in the overstatement of the said account and Accumulated surplus/(deficit) account by undetermined amount.
- 1.28. **We recommended that Management:**
- a. Instruct the Regional/Branch Managers concerned to direct the:**
 - a.1. BOs' Stock Examination Group and the ROs' Regional TOLA Working Group to expedite the conduct of stock examination and TOLA computation on the stock shortages of the SAOs with available warehouse documents, to determine the final accountabilities of the SAOs recorded under Receivables-Other receivables-Due from officers and employees account; and**
 - a.2. BOs' Finance Section to make necessary adjustments to recognize the fair values of the stock shortages of the SAOs recorded under Receivables-Other receivables-Due from officers and employees account based on final TOLA computation;**
 - b. Consider adopting a policy to address the perennial issue on the unavailability of relevant documents for the conduct of stock examination on the stock shortages of the SAOs by the BOs Stock Examination Group and TOLA computation by the ROs Regional TOLA Working Group; and**
 - c. Coordinate with the COA GAS to seek guidance on whether former SAOs' final stock shortages can be impaired considering the issue on accountability.**
- 1.29. Management of the NFA Albay BO commented that the Stock Examination Group is taking the necessary steps to fast track the liquidation of accountabilities of SAOs to establish the final shortages and submit the Examination Reports to the Regional TOLA Working Group for TOLA computation. Other NFA BOs and ROs assured that the conduct of stock examination will be given priority. Some BOs committed to exert their best

efforts to locate and retrieve source documents to liquidate the past stock accountabilities of the SAOs without stock examination.

- 1.30. As audit rejoinders, the NFA Audit Team in Region V - Albay BO enjoined Management to adopt stricter and more intensive measures to demand full and immediate completion and submission of long-overdue stock examination reports by the Stock Examination Group and final TOLA computations by the Regional TOLA Working Group; and settlement of temporary or final stock shortages by SAOs concerned, especially those who are still in active service or nearing retirement. Further, to prevent accumulation of SAOs' stock shortages without TOLA computation, **we recommended that top Management impose strictly the penal provisions under NFA SOP No. GM-WH13 which states that violation of the provisions of the SOP shall subject the offender to penalties provided for under applicable and reasonable NFA and Civil Service Rules.**

The faithful representation in the financial statements and verifiability of the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees, and Other receivables-other receivables accounts in the amounts of P36.950 million, P1.517 billion and P1.315 billion, respectively, as at December 31, 2022 were not established as these included accounts in the total amount of P454.096 million without supporting documents

- 1.31. Paragraph 3.10 of the Conceptual Framework provides that, “[T]o be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.”
- 1.32. Paragraph 3.26 of the Conceptual Framework provides that, “Verifiability is the quality of information that helps assure users that information in GPFs [General Purpose Financial Reports] faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFs—that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent. Xxx.”

- 1.33. Likewise, Paragraph 5.6 of the Conceptual Framework defines asset as a resource presently controlled by the entity as a result of a past event. Further, it elaborated on the following:

Presently Controlled by the Entity

5.11 An entity must have control of the resource. Control of the resource entails the ability of the entity to use the resource (or direct other parties on its use) so as to derive the benefit of the service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.

5.12 In assessing whether it presently controls a resource, an entity assesses whether the following indicators of control exist:

- Legal ownership;*
- Access to the resource, or the ability to deny or restrict access to the resource;*
- The means to ensure that the resource is used to achieve its objectives; and*
- The existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.*

- 1.34. As shown in the Statement of Financial Position as at December 31, 2022, the Receivables account had a carrying amount of P3.865 billion, with summary shown in Note 9 to financial statements. The account included, among others, Accounts receivables, Other receivables-Due from officers and employees, and Other receivables-Other receivables accounts in the amounts of P36.950 million, P1.517 billion and P1.315 billion, respectively, as at December 31, 2022.
- 1.35. The Accounts receivables - trade account is used to record the sale of rice on credit to the NGAs, Local Government Units (LGUs), Government-owned and Controlled Corporations (GOCCs), private corporations, retailers, employees and farmers. The account also includes collectibles from credit sales based on the implementation of the Memorandum of Agreement (MOA) entered into by the NFA CO with various government agencies wherein sacks of rice were withdrawn in BOs, while the responsibility for collection and preparation of credit advices is vested in the NFA CO.
- 1.36. The Other receivables-Due from officers and employees account is debited to recognize the amount of claims from the officers and employees for overpayment (not covered by Notice of Disallowance), cash shortage, loss of assets and other bills issued by the NFA (not covered by Notice of Charge), and temporary stock shortages. This account is credited for receipt of payment, write-off, approved request for relief from property

accountability, allowable variance between books and volumetric count of merchandise inventory and the like, and adjustments.

- 1.37. The Other receivables-Other receivables account is used to recognize receivable from deceased, dismissed and retired NFA accountable officers. It is also used to record the receivable from the NFA personnel for the cash, stocks, and MTS shortages from employees who were already retired, deceased, dismissed from service or no longer connected with the NFA, and educational and calamity loans.
- 1.38. Reports of the various NFA offices disclosed that collection of the receivable accounts amounting to P454.096 million could not be enforced due to lack/absence of supporting documents, as summarized in Table 5.

**Table 5 – Uncollected Receivable Accounts
Due to Lack/Absence of Supporting Documents**

Offices	Amount
Accounts receivable	P215,266,146
CO	66,023,969
National Capital Region (NCR)-RO	
BOs:	66,836,364
Region I-La Union	1,424,154
Region I-Eastern Pangasinan	124,550
Region IV-Batangas	2,613,100
Region V-Albay	8,071,506
Region VI-Iloilo	1,420,250
Region VI-Negros Occidental	50,179,085
Region VIII-Leyte	9,208,191
Region IX-Zamboanga City	313,814
CARAGA-Surigao del Sur	2,089,110
Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)-Lanao del Sur	6,962,053
Other receivables - Due from officers and employees	P151,002,899
BOs:	
Region I-La Union	1,607,632
Region I-Eastern Pangasinan	3,671,529
Region I-Ilocos Norte	553,757
Region II-Cagayan	637,936
Region IV-Laguna	2,325,530
Region VI-Iloilo	94,966,940
Region VI-Capiz	29,470,496
Region VI-Negros Occidental	6,177,230
CARAGA	11,591,849
Other receivables - Other receivables	P 87,827,374
CO	
BOs:	42,006,218
Region I-Ilocos Norte	739,233
Region I-Eastern Pangasinan	4,506,815
Region II-Cagayan	31,375,459
Region II- Nueva Ecija	59,800
Region IV-Batangas	1,482,712
Region VIII-Samar	6,715,881
Region IX-Zamboanga City	941,256
Total	P454,096,419

- 1.39. The lack/absence of supporting documents to substantiate the balances of Receivables such as, the Statements of Account (SOAs) and Billing Statements, contracts/MOAs, warehouse documents and Subsidiary Ledgers (SLs) could be attributed to lack of proper turnover and monitoring thereof by the offices/personnel concerned, while some documents were destroyed/lost due to natural calamities as in the case of Albay and Leyte BOs.
- 1.40. Moreover, the credit sales of rice before RA No. 11203, covered by various MOAs entered into by the NFA CO with various agencies in the total amount of P71.343 million, summarized in Table 6, were recognized as Accounts receivables in the BOs where the sacks of rice were withdrawn. However, the CO could not enforce collections due to lack of SOAs and WSIs from BOs and/or the collections in the CO were not communicated to the BOs concerned, thus, the transactions resulted in unreconciled balances of Intra-agency accounts between CO and BOs books of accounts, as discussed in the foregoing observation.

Table 6 – Credit Sales in the BOs under Various MOAs Entered into by the NFA CO with Various Agencies

Office/BOs	Amount
Region I-Ilocos Norte	P 2,713,420
Region II-Isabela	2,330,345
Region II-Cagayan	5,102,108
Region IV-Quezon	1,048,332
Region V-Albay	5,340,653
Region VIII-Northern Samar	15,813,670
Region IX-Zamboanga City	227,638
Region X-Bukidnon	1,000,497
BARMM-Lanao del Sur	37,766,434
	P71,343,097

- 1.41. The right of the NFA to collect could not be enforced due to the absence/lack of complete documentation to substantiate the account balances and the non-reconciliation of credit sales in BOs or absence of updated information on collections by the CO affected the faithful representation and verifiability of the balances as at December 31, 2022 of the Receivables-Accounts receivable, Other receivables-Due from officers and employees, and Other receivables-other receivables accounts in the amounts of P36.950 million, P1.517 billion and P1.315 billion, respectively.
- 1.42. **We recommended that top Management direct the Finance Department and the Regional/Branch Managers concerned to require the Accounting Division of the CO and Finance Sections of the ROs/BOs to:**
- a. **Exert all efforts in locating relevant records and documents, such as, MOAs, SOAs and Billing Statements, Demand Letters, WSIs, and SLs, to substantiate the balances of the Receivables-Accounts receivable, Other receivables-Due from officers and employees and Other receivables-other receivables accounts;**

- b. Fast track the reconciliation of the receivables accounts of the ROs/BOs against the records of the NFA CO;**
- c. Assess the collectability of the dormant receivables, if collection is determined to be no longer feasible, provide Allowance for impairment; and**
- d. Coordinate closely with the government offices concerned for possible reconciliation and/or collection of the outstanding receivables accounts.**

1.43. Management gave the following comments/justifications:

- a. In NFA CO, the Finance Department is continuously exerting efforts to collect the Accounts receivable - Trade despite that most of the accounts were already more than a decade old. Due to this and the collaborative efforts of Executive Offices, Operations Coordination Department, Legal Affairs Department, Finance Department and concerned officials and employees, the NFA had collected from the Office of the Civil Defense - National Disaster Risk Reduction and Management the amount of P176.179 million on December 13, 2022.
- b. In NFA CO, NCR-RO, NCR-East District BO, Region I - La Union BO, Eastern Pangasinan BO, Ilocos Norte BO, Region III - RO, Bulacan BO, and Region VIII - Leyte BO, the Finance Department and Finance Sections are continuously exerting efforts to locate the relevant documents and reconcile and collect the Accounts receivable.
- c. In Region II - Isabela and Cagayan BOs, Region IV – Laguna BO, and Region V - Albay BO, Management vowed to locate the required supporting documents relative to the accounts receivable and submit to CO for collection.
- d. In Northern Samar BO, Region IX – Zamboanga BO, Region X - Bukidnon BO, and CARAGA, Management will prioritize the collection of the dormant Accounts receivable, and committed to communicate and reconcile the account with the CO.

B. NON-FINANCIAL

2. In CY 2022, the NFA did not meet the optimum level of national rice buffer stocking requirement of 300,000 metric tons (MT) at any given time pursuant to NFA Council Resolution No. 999-2021-B dated February 16, 2021 issued in compliance with the IRR of RA No. 11203, despite the full receipt of the P7.000 billion government subsidy from the National Government, in view of, among others: (a) shortfall of 177,349 MT or 36.95 per cent of the targeted palay procurement of 480,000 MT; (b) inadequate information dissemination of the NFA's palay procurement program; (c) low number of palay buying stations and limited number of deployed mobile procurement teams to surplus producing areas during harvest seasons; and (d) revocation of various incentives to farmers, such as, the Cooperative Development Incentive Fund (CDIF), delivery fee, drying fee, and Buffer Stocking Incentive (BSI). The inability to maintain the required optimum level of national rice buffer stocking at any given time poses risk that NFA might not be able to effectively and immediately respond and provide the needs of the beneficiaries all over the country in times of emergency situations, and non-sustenance of the disaster relief programs of the government during natural or man-made calamities.

- 2.1. With the passage of RA No. 11203 on February 14, 2019, the NFA shall continue to perform its role in ensuring food security by maintaining optimal level of buffer stock of rice at all times to respond immediately and provide the needs of the beneficiaries all over the country during calamity and emergency situations. The Authority is mandated to procure palay from local farmers strategically located across the country. It shall manage efficiently and effectively the acquisition, quality maintenance, and disposition of the buffer stock.
- 2.2. Moreover, with the same RA, the NFA established the Rice Competitiveness Enhancement Fund (RCEF) to improve the competitiveness of rice farmers and increase their income amidst liberalization of the Philippine rice trade policy including, among others, the lifting of quantitative restriction on rice import and replacing it with tariff. The RCEF aims to complement and supplement the existing Department of Agriculture - National Rice Program (DA-NRP).
- 2.3. As defined under the IRR of the said Act, "*buffer stock refers to the optimal level of rice inventory that shall be maintained at any given time to be used for emergency situations and to sustain the disaster relief programs of the government during natural or man-made calamities.*" The optimum level of national rice buffer stocks to be maintained by the NFA, as approved by the NFA Council in its Resolution No. 999-2021-B dated February 16, 2021, was fixed at 300,000 MT or equivalent to nine days of nationwide Daily Consumption Requirement (DCR) at any given time.
- 2.4. To supplement the budgetary requirements for the NFA's buffer stocking program, RA No. 11639 or the General Appropriations Act (GAA) for Fiscal Year (FY) 2022, authorized the release of subsidy amounting to

P7.000 billion to the NFA under the Budgetary Support for Government Corporations.

- 2.5. As disclosed in the CY 2022 NFA Annual Report, the required buffer stock level of 300,000 MT, based on the average DCR of 33,586 MT, was not achieved the whole year round. As shown in Table 7, the levels of rice inventory ranging from 111,042 MT to 182,612 MT which were only good for 3.31 to 5.44 days were below the required buffer stocks. The deficit stock level ranged from 3.56 to 5.69 days for the nine days mandated monthly buffer stock. On the average, the NFA maintained rice inventory of 140,354 MT, good to last for about 4.18 days supply only.

Table 7 - Buffer Stock Levels of NFA in CY 2022

Month	Available Stock at Month-end		Required Buffer Stock		Deficit	
	MT	Equivalent No. of Days	MT	Equivalent No. of Days	MT	Equivalent No. of Days
January	182,612	5.44	300,000	9	117,388	3.56
February	155,640	4.63	300,000	9	144,360	4.37
March	135,867	4.05	300,000	9	164,133	4.95
April	155,436	4.63	300,000	9	144,564	4.37
May	175,486	5.22	300,000	9	124,514	3.78
June	160,497	4.78	300,000	9	139,503	4.22
July	134,609	4.01	300,000	9	165,391	4.99
August	112,374	3.35	300,000	9	187,626	5.65
September	111,042	3.31	300,000	9	188,958	5.69
October	120,476	3.59	300,000	9	179,524	5.41
November	125,299	3.73	300,000	9	174,701	5.27
December	114,908	3.42	300,000	9	185,092	5.58
Average	140,354	4.18	300,000	9	159,646	4.82

- 2.6. The inability of the NFA to maintain the required buffer stock to an optimal level of rice inventory of 300,000 MT at any given time in CY 2022 could be attributed to several factors as discussed hereunder.

Shortfall of 177,349 MT or 36.95 per cent of the targeted palay procurement of 480,000 MT

- 2.7. As part of the NFA's commitment to the mandated buffer stocking requirement, it sets the palay procurement target at 480,000 MT for CY 2022 to maintain the required 300,000 MT buffer stock of rice at any given time within the year.
- 2.8. Nevertheless, review of the CY 2022 reports of the NFA on its Annual Accomplishment and the Budget and Financial Accountability showed that, despite the Authority's full receipt of the P7.000 billion government subsidy, only P5.750 billion was disbursed for the 302,651 MT of palay procured or 63.05 per cent of the targeted 480,000 MT of palay for CY 2022, as shown in Table 8.

Table 8 - NFA Palay Procurement in CY 2022

Month	Target [a]	Actual [b]	Shortfall/ (Surplus) = [a-b]	Percentage of Accomplishment
January	14,950	12,759	2,191	85.34
February	19,953	6,059	13,894	30.37
March	29,149	15,738	13,411	53.99
April	50,800	58,163	(7,363)	114.49
May	39,447	47,019	(7,572)	119.20
June	24,402	10,483	13,919	42.96
July	7,250	2,266	4,984	31.26
August	11,444	6,184	5,260	54.04
September	54,252	29,155	25,097	53.74
October	101,548	53,238	48,310	52.43
November	82,205	44,241	37,964	53.82
December	44,600	17,346	27,254	38.89
Total	480,000	302,651	177,349	63.05

2.9. As shown in Table 8, one of the factors why the NFA was not able to maintain the required buffer stock to an optimal level of rice inventory of 300,000 MT at any given time in CY 2022 was the shortfall of 177,349 MT or 36.95 per cent of the targeted palay procurement of 480,000 MT.

2.10. As disclosed in the CY 2022 NFA Annual Report, there was a shortfall of 177,349 MT of the targeted palay procurement due to low absorption rate of palay by NFA caused by, but not limited to, the following: (a) higher farm gate price of palay as compared to NFA's buying price of P19.00 per kilogram; (b) occurrence of strong typhoons in major palay production areas; and (c) private traders intensified procurement strategies by offering more incentives such as free delivery, consignment, advance payment, and free use of postharvest facilities.

Inadequate information dissemination of the NFA's palay procurement program

2.11. The Audit Team observed that even though the NFA's buying rate of palay of P19.00 per kilogram is higher by 8.63 per cent than the average farm gate price of P17.36 (*PSA Seasonally Adjusted Palay/Rice Production and Prices Philippines 2022*), the absorption rate of the NFA was only 1.54 per cent of the total palay production of 19.767 million MT in the Philippines. Notwithstanding the increase in palay production in the 2nd and 3rd Quarters of CY 2022, the NFA procured only 115,665 MT and 37,605 MT, respectively, of the palay production during these Quarters, as shown in Table 9.

Table 9 - NFA Absorption Rate and Average Farm Gate Price in CY 2022

Quarter of the CY 2022	Average Farm Gate Price for the Quarter	Total Palay Production (in MT)	NFA Quantity of Palay Procured /Absorption Rate	
1 st	16.95	4,867,140	34,556	0.71%
2 nd	16.87	4,941,610	115,665	2.34%
3 rd	17.47	5,077,240	37,605	0.74%
4 th	18.18	4,870,710	114,825	2.36%
Average	17.36	19,767,000	302,651	1.54%

- 2.12. The low absorption rate of the NFA on local palay procurement in CY 2022 could be attributed to inadequate information dissemination, especially in the top three rice producing Regions, i.e., Central Luzon, Cagayan Valley and Western Visayas, which have the highest number of palay production in the country in CY 2022 of 3.617 million MT, 2.928 million MT, and 2.322 million MT, respectively (www.philrice.gov.ph/ricelytics/productions). The NFA procured only 36,877 MT in Central Luzon, 125,496 MT in Cagayan Valley, and 20,550 MT in Western Visayas, or equivalent to 2.06 per cent [182,923 MT / 8,866,472 MT] of the total production of the top three rice producing Regions.
- 2.13. It was also observed that the NFA procured a total of 257,896 bags from only nine out of the 81 Provinces that participated in the Palay Marketing Assistance Program for Legislators and Local Government Units (PALLGU) in CY 2022, as summarized in Table 10.

Table 10 - NFA Palay Procurement from PALLGU for CY 2022

Provinces	No. of Bags in 50 kg.
Ilocos Sur	5,510
Isabela	111,204
Tarlac	15,645
Laguna	2,471
Occidental Mindoro	92,355
Quezon	461
Capiz	11,963
Iloilo	11,107
North Cotabato	7,180
Total	257,896

- 2.14. The PALLGU aims to maximize farmer's income through additional price per kilogram of palay to be provided by the partner legislator and the LGU. Under the Program, the legislators and heads of the LGUs enter into a marketing agreement with the NFA in which the former will provide a premium amount to be added to the existing government buying price of palay at P19.00 per kilogram when purchasing stocks from individual farmer/farmers' organizations.
- 2.15. The relatively low absorption rate of the NFA on local palay procurement is an indication that farmers, especially those in surplus palay producing areas, are not aware of the NFA's palay procurement activities and program. Had there been an intensified information dissemination, more farmers could have sold their harvests to the NFA through the mobile procurement teams in their localities at a higher price than the prevailing farmgate price without incurring additional delivery expenses.

Low number of palay buying stations and limited number of deployed mobile procurement teams to surplus producing areas during harvest seasons

- 2.16. In addition to the existing buying stations of the NFA, one of its proven effective strategies in the procurement of palay is the deployment of mobile

procurement teams during harvest season in the top palay producing regions of the country. This program addresses the difficulty of farmers in transporting their harvest to the NFA efficiently at no cost as the mobile procurement teams shall pick up the farmer's harvest in the agreed place and schedule, free of charge.

- 2.17. Records disclosed that the number of NFA buying stations and mobile procurement teams significantly decreased from 598 in CY 2020 to 232 in CY 2022 due to the NFA restructuring program pursuant to RA No. 11203. The deployment of adequate number of mobile palay procurement teams during harvest season may address the shortfall in palay procurement due to decrease in the number of NFA buying stations as this program is more convenient and economical to farmers, especially those in far flung areas.

Revocation of various incentives to farmers, such as, the CDIF, delivery fee, drying fee, and BSI

- 2.18. The NFA had implemented various incentive programs to encourage the farmers to sell their produce to government, such as, the CDIF - P0.30 per kilogram, delivery fee - P0.20 per kilogram, drying fee - P0.20, and BSI of P3.00 where farmers can sell their palay at P20.40 (for individual farmers) and P20.70 for members of cooperative. Considering the NFA's requirements (moisture content and purity of the rice), these incentives boost the farmers morale to sell their harvest to the NFA due to considerable margin they will get from the NFA incentives. However, these incentives were revoked in the last part of CY 2019 in view of the increase of the NFA's buying rate of palay from 17.00 per kilogram to P19.00 per kilogram. The discontinuance of these incentives had somewhat negatively affected the motivation of farmers to sell their harvests to the government, as private traders offer various assistance to farmers, such as, consignment/advance payments, weighing of palay straight from the rice paddy, and free use of post-harvest facilities. As such, farmers preferred to sell their produce to traders despite the higher buying price of the NFA.
- 2.19. The inability to maintain the optimum level of national rice buffer stocking requirement of 300,000 MT at any given time pursuant to NFA Council Resolution No. 999-2021-B dated February 16, 2021, poses risk to the country's food security in cases of calamity and emergency situations, or non-sustenance of the disaster relief programs of the government during natural or man-made calamities. Likewise, it might result in the shortage of rice supply and higher prices of commercial rice in the market.
- 2.20. **We recommended that top Management direct the officials concerned to ensure that the optimum level of national rice buffer stocking requirement of 300,000 MT is maintained at any given time by:**
 - a. **Intensifying the information dissemination on NFA palay procurement activities in the producing regions at the start of cropping season;**

- b. **Strengthening the NFA's campaign on PALLGU through meetings with the legislators and local chief executives to discuss the benefits thereof to their farmer-constituents to encourage them to participate in the program;**
- c. **Coordinating with the DA and its affiliated agencies in-charge of administering the RCEF and NRP on the feasibility of crafting a policy that would require the farmers to sell a certain volume of palay to the NFA, in conformity with the implementation of RA No. 11203;**
- d. **Increasing the number of mobile procurement teams deployed in areas where harvesting is in progress;**
- e. **Evaluating the performance of the ROs and BOs with low palay procurement accomplishments to determine the necessary assistance and measures needed so that they can meet their targets on palay procurement; and**
- f. **Providing assistance and additional incentives to farmers to encourage them to sell their produce to the NFA.**

2.21. Management fully conformed to all the audit recommendations and committed to continuously exert all efforts possible to be able to sufficiently maintain the required 300,000 MT government rice buffer stock to ensure the country's food security concerns.

3. **The NFA was not able to settle its obligations to the National Treasury in the aggregate amount of P106.668 billion as of December 31, 2022, composed of: (a) Net lending representing advances availed from the Bureau of the Treasury (BTr) in settlement of various maturing loan obligations of the NFA and the corresponding Guarantee fees in the amounts of P94.116 billion and P11.676 billion, respectively; and (b) cost of audit services of the COA from CYs 1996 to 2022 in the total amount of P811.719 million, as required under Section 24(2) of Presidential Decree (PD) No. 1445; Executive Order (EO) No. 19, Series of 1986, as amended by EO No. 271, Series of 1987; and COA-DBM Joint Circular (JC) No. 3 dated December 29, 2020, despite its inclusion in the Annual Corporate Operating Budget of the NFA, thus, depriving the National Government of the use of the funds to supplement its other priority goals, programs and projects.**

Net lending and Guarantee fees

- 3.1. The Net lending in the amount of P94.116 billion pertains to net advances availed from the BTr in settlement of various maturing loan obligations of the NFA. The Guarantee fees in the amount of P11.676 billion represents amount charged by the BTr on guarantees extended to NFA to cover obligations contracted. It is equivalent to one per cent of the amount drawn from the loan.

- 3.2. The outstanding Net lending balance of P94.116 billion as of December 31, 2022 was not reduced despite the conversion in CY 2022 of the CYs 2020 to 2022 National Government advances to subsidy totaling P35.895 billion as NFA continuously suffered losses from its operation, hence, it was not able to pay its maturing loans.
- 3.3. The National Government advances accumulated over the years due to NFA's poor cash flow to stabilize the price of rice, both for consumers and farmers, and at the same time ensuring food security in the country by selling rice at a price lower than its cost. With these circumstances, the NFA heavily relied on government subsidies and borrowings, which eventually adversely affected its operation due to payment of interest expenses. Historically, the NFA was selling the rice at a loss except in CYs 2014 and 2015 because of the large quantity of rice importation. As a result, the Net lending and Guarantee fees remained outstanding for several years.
- 3.4. Moreover, the Guarantee fees in the amount of P11.676 billion remained outstanding as no payment was made through the years. The NFA's request for conversion of Guarantee fees in the amount of P8.440 billion was held in abeyance pending the adoption of the Department of Finance (DOF) of a policy on the condonation of guarantee fee payables of Government Corporations to the National Government.
- 3.5. Relatively, prior to the endorsement of the DOF to the DBM and BTr of the conversion of Net lending and interest on National Government advances, the DOF Secretary, in his letter dated June 12, 2019, required the NFA to submit an asset disposal schedule/plan and a commitment to remit and deposit the proceeds from the sale of the assets in an account to be managed by the BTr, which shall be utilized for the payment of the NFA's guaranteed debt. The NFA was also advised to submit a five-year plan for its debt management and financial restructuring pursuant to Administrative Order No.10, Series of 1998.
- 3.6. On September 5, 2019, in compliance with the requirements of the DOF, the NFA submitted the Asset Divestment Plan for FYs 2019 to 2023 with estimated proceeds amounting to P4.531 billion, and the five to six years financial/debt restructuring plan for FYs 2019 to 2024.
- 3.7. Review of the NFA's Asset Divestment Plan revealed that only three of the 98 listed properties were disposed in CYs 2019 to 2022. These properties pertained to three parcels of land sold to the Department of Transportation in the total amount of P925.417 million, in which the amount of P444.296 million was remitted to the BTr on October 6, 2022, while the balance is yet to be collected. Based on the Plan, the NFA should have disposed at least 87 properties as of December 31, 2022 and, the remaining should be disposed in CY 2023. The remaining 95 properties for disposal have estimated net proceeds of P3.616 billion.

- 3.8. The delay in the implementation of the Asset Divestment Plan for FYs 2019 to 2023 resulted in the accumulation of National Government advances, interest, and documentary stamp tax expenses.
- 3.9. The non-payment of NFA's outstanding obligations to the BTr for several years deprived the National Government of the use of the funds to supplement its other priority goals, programs and projects.

*Non-remittance/payment of the COA Cost
of Audit Services from CYs 1996 to 2022*

- 3.10. Section 24(2) of PD No. 1445, which was enhanced under EO No. 19 dated June 19, 1986, as amended by EO No. 271 dated July 26, 1987, provides:

Section 24. Appropriations and funding.

- (2) *All government-owned or controlled corporations, including their subsidiaries, and self-governing boards, commissions, or agencies of the government shall appropriate in their respective budgets and remit to the National Treasury an amount at least equivalent to the appropriation for the salaries and allowances of the representative and staff of the Commission during the preceding fiscal year;*

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- 3.11. Relative thereto, the COA and the DBM issued JC No. 3 dated December 19, 2020, restating with amendment COA-DBM JC No. 88-1 dated July 29, 1988, on the guidelines in implementing the objectives of Section 24(2) of PD No. 1445, which provides, among others, the following:

4.0 Responsibilities

- 4.1 *The Supervising Auditor shall prepare the details of the cost data for the ensuing year for each GC and its subsidiaries and submit to the Planning, Finance and Management Sector (PFMS) on or before June 30 of every year as certified by the Cluster Director, Corporate Government Sector (CGS) in time for the preparation of the corporate operating budgets (COB), copy furnished the GC concerned, DBM, and the BTr. This will serve as basis by the Accounting Office (AO), PFMS in the preparation of the Assessment Letter.*
- 4.2 *The GC shall include in its COB for the succeeding year, an amount equivalent to the cost of regular audit services as determined by COA.*

- 4.3 *The DBM shall ensure that the COB of GCs includes the cost of audit services as determined by COA.*
- 4.4 *COA shall bill monthly the GC for the cost of audit services equivalent to the assessed total amount of PS [Personnel Services] and the 10% OAC [Other Audit Cost] divided by twelve months.*
- 4.5 *The GCs shall at the beginning of the year inform COA on the preferred mode of remittance whether monthly or a one-time payment. The COA on the other hand shall communicate to the BTr not later than the 10th day of January of the current year, the choice made by the GC, for monitoring purposes. The remittance shall be made to the BTr or other Authorized Government Depository Banks (AGDBs) the said cost of audit services every 15th day of the following month or one-time payment only, on or before the 30th day of June, and shall furnish the DBM and the COA, each with a copy of proof or certificate of remittances made. The GCs can also remit their payments to COA which shall be subsequently remitted by COA to BTr.*

5.0 *Administrative Sanctions*

Any official or employees who refuses, fails, or neglects to perform the responsibilities as required under Section 4.0 hereof shall be held liable for neglect of duty, and shall be subject to disciplinary or administrative action under Section 57, Chapter 6, Book VI of EO No. 292 such as suspension of payment of salaries until he/she has fulfilled his/her responsibility. The Head of Agencies shall be responsible for the proper implementation of the aforementioned sanctions.

- 3.12. In accordance with the above-stated provisions of law, rules and regulations, the COA Finance Office of PFMS, regularly sends Billing Statements of the cost of audit services to NFA. However, the NFA has not been dutifully remitting the cost of audit services to the BTr or other AGDBs. While partial remittances totaling P222.954 million were made in CYs 1996 to 2010 and 2022, no payments were made from CYs 2013 to 2021. Thereby, the unremitted amount of cost of audit services accumulated to P1.056 billion as at December 31, 2022.
- 3.13. It bears stressing that under the existing laws and regulations, the NFA is duty bound to regularly remit the cost of audit services. Any official/employee who fails to remit the amount due for the cost of audit services shall be held liable for neglect of duty, and shall be subject to

disciplinary or administrative sanctions prescribed under Section 57, Chapter 6, Book VI of EO No. 292.

3.14. We recommended that Management:

- a. Make representation with the DOF and COA on the possibility of paying the liability through installment; and**
- b. Fast track the implementation of the Asset Divestment Plan for FYs 2019 to 2023 to obtain funds for the payment of NFA's debts guaranteed by the National Government.**

3.15. Management submitted the following comments:

- a. The NFA is always making a representation to DOF for the conversion of all its National Government advances. It has already paid a portion of its National Government-guaranteed loans, in the total amount of P40.319 billion as of December 31, 2022, as a result of its steadfast commitment to enhancing both its financial position and performance. Even so, it is also very evident that not all amounts being requested by the Authority and subsequently endorsed by the DOF are being approved by the DBM in full, since the allocation of the proposed conversion under unprogrammed appropriation would depend on the results of the deliberation and prioritization being done by the Congress. Thus, the NFA's Net lending balance would only substantially drop if it chose not to avail the National Government advances annually and/or if the DBM would grant the full amount sought each year for the conversion of National Government advances into subsidy.
- b. With regard to the unremitted COA cost of audit services, in CY 2022, NFA had already remitted the total amount of P46.742 million covering the period of January 2022 to June 2022 and the remaining balance for CY 2022 will be paid before the end of the year 2023.
- c. On the delayed implementation of the NFA's Asset Divestment Plan for FYs 2019 to 2023, 91 of the 95 properties listed for divestment were Council-approved. Of this number, only 75 are eligible to be divested, while the rest have issues like missing titles, illegally squatted or no right of way. Offers were received for several properties, but not all were consummated either because there were no interested buyers, there was failure of bidding due to non-appearance of prospective bidders or high floor prices (following the guidelines on adopting the highest valuation for the property).
- d. On October 23, 2019, during the meeting of the National Economic and Development Authority's (NEDA's) Economic Development Cluster, the NFA was instructed not to dispose of nor sell the properties with unused warehouses relative to the finalization of the on-going study on optimal buffer stock. The Chairperson instead recommended leasing the warehouses to LGUs.

- e. Forward to CY 2023, the NFA needs to review its current storage capacity, including those already approved for divestment, to address the direction of the new Management to adopt a 15-day inventory as buffer stocks, on top of the nine days for calamity operations, to about 30 days as part of the medium-term plan.
- 3.16. As a rejoinder, the Audit Team acknowledged Management's commitment to remit the CY 2022 COA cost of audit services before the end of the year 2023, which will be monitored in the succeeding audit.
- 4. Several provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification and good warehouse-keeping were still not observed at various NFA warehouses, which could result in environmental and health hazards and losses due to grain damage/deterioration in quality and value as well as theft/pilferage of stocks, considering the following deficiencies noted during the ocular inspection of NFA warehouses in Regions I, II, III, VI, VIII and XIII:**
- a. **The floors with visible cracks were not filled with sealing compound or asphalt to prevent the accumulation of moist, dust, dirt, residue, and possible breeding area of insects, thus exposed the stored rice stocks to ground moisture and possible damage.**
 - b. **Doors or openings/vents of the warehouses were not installed with mesh wire and/or secondary screen doors or have damaged screen wires that rodents and birds could freely enter the warehouses, causing spillage, infestation and contamination of rice/palay stocks.**
 - c. **The roofs of several warehouses have leaks and holes, but in spite thereof, the areas are still being utilized.**
 - d. **Fire extinguishers inside the warehouses were already expired or lacking in some warehouses.**
 - e. **Closed-circuit televisions (CCTVs) were not installed in some warehouses and other structures such, as watch towers, bridges and safety nets/screens were not properly utilized to monitor activities inside the warehouses.**
- 4.1. NFA SOP No. GM-WH07 dated January 10, 1995 prescribes the warehousing policies and procedures, and covers the basic and accountability procedures, warehouse layout, warehouse maintenance, and standards and safety practices, among others, as presented in Table 11.

**Table 11 – Warehousing Policies and Procedures to be Observed in NFA Warehouse
(NFA SOP No. GM-WH07)**

Area of Concern	Policies and Procedures
Custody of Warehouse	<ul style="list-style-type: none"> • All laborers working and assigned in the warehouse shall be required to wear identification cards. The identification card shall be controlled by each Provincial Offices. • At the close of office hours, all doors, windows, sliding and other outlets of the warehouse shall be inspected daily by the Sr. Grains Operations Officer - Warehouse Supervisor (Sr. GOO-WS) together with assigned security guard to see to it that they are locked and secured. Moreover, a logbook wherein the detailed security guard shall receive the warehouse stating that there is no tampering of any door, window, sidings, roofings and other outlets, shall be maintained and updated at the start of its every duty. • The SGOO-WS shall be accountable for stocks in process at rice mill/dryers/silo wherein such facilities located within the issuing/receiving warehouse without any partition. There shall be one SGOO-WS assigned for every warehouse. However, duplex or triplex type warehouses shall be considered as one warehouse. There shall also be one regular GOO II-Pest Control Officer (PCO) and calibrator for every Provincial Office to effect immediate pest control administration and timely/regular calibration of all utilized platform scales. SGOO-WS shall refrain from delegating sensitive matters and responsibilities like accountable document completion/filling out to the utility worker and/or laborers.
Piling System	<ul style="list-style-type: none"> • The maximum allowable safe height of the pile of sacks must be determined so that the sack at the bottom of the pile should not be destroyed within a reasonable length of time. From warehouse experiences, 18 to 25 sacks of palay can be adequately supported by bottom bags without damage for at least 6 months or more. • Stocks earlier received shall be piled in such a way that it will be convenient to issue such stock first. The First In-First Out (FIFO) principle shall always be applied. • An updated bin card shall be attached to every pile.
Storage Structure and Specifications	<ul style="list-style-type: none"> • The flooring of the warehouse should be adequately strong. It should be free from cracks where moisture from the ground may affect the stored grains. Moisture sealing compound or asphalt should be provided to fill the floor cracks against moisture. • The warehouse structure should as much as possible be kept insect, rodent, and bird proof. <ul style="list-style-type: none"> - To make the structure rodent and bird proof, a ¼ inch opening mesh wire shall be provided on all openings or vents and in the space between the roof and the vents. If possible, the doors must be provided with screen doors aside from the regular warehouse door. This is to provide some security when warehousing activities are at its minimum.

Area of Concern	Policies and Procedures
Good Warehouse-keeping	<ul style="list-style-type: none"> • Warehouse Maintenance <ul style="list-style-type: none"> - Inspection of roofings for any holes, leakages, or damages must be regularly made. - Any sign of leak or damage shall be immediately reported in writing by the accountable officer for the necessary repair. - Structural defects like gutters/downspouts shall be properly and immediately repaired. - Cracks and crevices shall be properly filled up with cement plaster to remove places where dust, dirt, residue, etc. can accumulate and where insects can breed • Warehouse Hygiene and Sanitation <ul style="list-style-type: none"> - In warehouses where commodities are being moved daily, the entire work area should be swept daily. Sweepings should be reconditioned immediately, and the unrecoverable portions isolated for proper disposal. - A weekly cleaning of the top and sides of piles should be done to remove dust and webs and to eliminate possible breeding place of rats, birds and insects. - Unused pallets should be removed from the warehouse and kept in a separate storehouse together with other unused items. - Empty sacks should be stored in a separate storehouse if not required for immediate use. - If a separate building cannot be provided, sacks, pallets, pesticides, and unused machineries should be stored in a separate portion of the warehouse, grouped together and stocked neatly and orderly. • Warehouse Safety <ul style="list-style-type: none"> - All personnel directly exposed to warehouse operations, including job orders must be required to use dust masks for health protection. - Fire extinguishers must be furnished and all necessary steps for fire prevention should be posted and taken up.

4.2. Notwithstanding the prescribed warehousing policies and procedures, ocular inspections made by the Audit Teams assigned in the different NFA ROs and BOs of some of the warehouses of the NFA revealed that certain provisions and requirements were not strictly observed, as summarized in Table 12.

Table 12 - Results of Ocular Inspection of NFA Warehouses

ROs/BOs	Deficiencies Noted
<i>On Custody of Warehouse</i>	
Region III – Nueva Ecija, Pampanga, Tarlac Region VI – Iloilo Region XIII – Surigao del Sur Region VIII – Leyte, Samar	The NFA regular employees and the workers provided by the labor contractor were not wearing identification cards as required to prevent unauthorized access to the warehouse premises.
Region VIII – Leyte, Samar Region XIII – Surigao del Sur	<ul style="list-style-type: none"> • The warehouses in Rawis, Catubig, Borongan, Oras, San Pablo, Cogon, and Baybay were assigned with only one Warehouse Supervisor (WS), while the WS in NFA Surigao del Sur BO was given multiple warehouse assignments. • The platform scales were calibrated, as needed, but not regularly. Further, the calibration of platform scales was not recorded for monitoring purposes. • Both the Grains Infrastructure Directorate (GID) Duplex Warehouse and GID Mangagoy Warehouse were supervised simultaneously by one Acting WS. The same case in GID San Jose Warehouse and GID Km 10 Warehouse.
<i>On Piling System</i>	
Region VI - Iloilo	Rice stocks were placed on pallets without putting jute sheets or empty sacks as cover piling.
Region I - Abra	There were layers in each pile that were not properly arranged with sacks inserted in between. Since the bags inserted in each layer could not be verified during the count, these unverified numbers of bags could be used as cover up to conceal loss.
Region VI – Iloilo Region VIII – Leyte, Samar Region XIII – Surigao del Sur Region III – Bulacan, Tarlac	The piles have no bin cards and if ever there are bin cards attached, these were not updated and some were not in accordance with the prescribed form.
Region VI – Iloilo Region VIII – Leyte, Samar	Some piles were not properly squared off.
<i>On Storage Structure and Specification</i>	
Region I – Abra, Ilocos Sur, La Union Region III – Nueva Ecija, Bulacan, Pampanga, Tarlac, Zambales Region XIII – Surigao del Sur Region VIII – Leyte, Samar Region VI – Iloilo	The floors with visible cracks were not filled with sealing compound or asphalt to prevent the accumulation of moist, dust, dirt, residue, and possible breeding area of insects. Doors or openings/vents of the warehouses were not installed with mesh screen and/or secondary screen doors or have damaged screen wires that rodents and birds could freely enter the warehouses, causing spillage, infestation and contamination of rice/palay stocks. There is no heat insulation installed in the warehouses' ceiling.

ROs/BOs	Deficiencies Noted
<i>On Good Warehouse-keeping</i>	
Region III – Nueva Ecija, Bulacan	The roofs of several warehouses have leaks and holes, but in spite thereof, the exposed area is still being utilized.
Region I – Ilocos Sur	
Region VI – Iloilo	
Region VIII – Leyte, Samar	
Region VIII – Leyte, Samar	The roof/gutter flashing on the sides is damaged. The electrical system is disorganized/cluttered, dilapidated trusses, gutter and downspout and tension rods were also observed.
Region III – Nueva Ecija, Bulacan	
Region VIII – Leyte, Samar Region III – Nueva Ecija	The grasses surrounding the warehouse were not trimmed due to frequent rainfall/bad weather condition in the area.
Region VIII – Leyte, Samar Region I – La Union, Pangasinan, Ilocos Sur, Abra Region II – Cagayan, Quirino, Isabela, Nueva Vizcaya	CCTVs were not installed in some warehouses and other structures such, as watch towers, bridges and safety nets/screens were not properly utilized to monitor activities inside the warehouses.
Region VIII – Leyte, Samar Region XIII – Surigao del Sur	Floors in some areas of the warehouse were dusty and dirty which could be hazardous to health and the environment.
Region VIII – Leyte, Samar Region XIII – Surigao del Sur Region VI – Iloilo	Unused pallets/empty sacks as well as some unserviceable equipment were stored inside the warehouse which can be breeding of rats, insects and pests. Vehicles were also parked inside the Jaro Warehouse.
Region XIII – Surigao del Sur	Spillages at warehouses were not immediately collected, sacked and piled separately or cleaned and added to busted bags. Some punctured sacks were just taped.
Region I – Ilocos Sur Region XIII – Surigao del Sur Region VIII – Leyte, Samar	Fire extinguishers inside the warehouses were already expired or lacking in some warehouses.
Region VIII – Leyte, Samar	Warehouses were not well-lit, while the other warehouses have damaged fluorescent bulbs and lightings.
Region VIII – Leyte	The GID Alang-alang compound where the warehouse is located has no perimeter fence, exposing the rice stocks to theft and other possible untoward incidents.
Region VI – Iloilo	The use of dust masks for health protection is not being observed. Laborers and personnel directly exposed to warehouse operations were not provided with dust masks.
Region VIII – Leyte, Samar Region VI – Iloilo	No warning signs placed in the warehouses premises to caution danger.
Region VIII – Leyte, Samar	There were cracks observed on the Biomass Furnace of the installed dryer due to earthquake on the day of inspection in Farm Level Grain Centers (FLGC).
Region VI – Iloilo	There were no “No Smoking” and “No Spitting” signages installed during the ocular inspection.

- 4.3. Non-adherence to NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification and good warehouse-keeping could result in environmental and health hazards and losses due to damage/deterioration in quality and value as well as theft/pilferage of palay/rice stocks.
- 4.4. **We recommended that top Management direct the:**
- a. **Branch Managers concerned to:**
 - a. 1 **Address the deficiencies noted on warehouse custody, piling system, storage structure and specifications and good warehouse-keeping, and henceforth, require all concerned to comply strictly with the provisions of NFA SOP No. GM-WH07;**
 - a. 2 **Instruct all Ws to immediately report in writing the defects on flooring, doors, windows, roofing and other parts of the warehouse;**
 - a. 3 **Facilitate the immediate repair of the warehouse defects particularly the cracks on the floors, leaks and holes on the roofs, to prevent further warehouse deterioration and damage to the stocks, which could result in losses to NFA; and**
 - a. 4 **Conduct regular inspection of warehouses to determine whether the warehouse personnel are complying with the good warehouse-keeping standards to avoid health hazards and losses due to deterioration of stocks and pilferages; and**
 - b. **Regional Managers concerned to:**
 - b. 1 **Ensure that the NFA's engineering team are regularly fielded to conduct inspection of all facilities for early detection of physical defects/damages so that appropriate measures can be undertaken; and**
 - b. 2 **Consider installing CCTVs and the immediate repair or replacement of damaged ones to monitor activities inside the NFA warehouses.**
- 4.5. Management provided the following comments/justifications:
- a. In Abra, Nueva Ecija, Pampanga, Tarlac, Bulacan, Iloilo and Leyte BOs, Management committed to implement strict compliance with the provisions of NFA SOP No. GM-WH07. The BOs concerned already informed the Facility Management Section on the damaged structures and facilities as observed during the regular inspection.

- b. In Eastern Pangasinan, Cagayan and Nueva Vizcaya BOs, Management instructed the WSs to check and report the status of the CCTVs and to cause immediate repair of the defective units.
- c. In Samar and Surigao del Sur BOs, Management noted that the main reason for the deficiencies was due to insufficiency of NFA personnel who will monitor and supervise the warehouse. In this regard, the BOs acknowledged the audit findings and assured adherence to the audit recommendations.

GENDER AND DEVELOPMENT (GAD)

- 5. **The GAD Plan and Budget (GPB) for CY 2022 of the NFA amounting to P351.133 million was duly endorsed by the Philippine Commission on Women (PCW) which is compliant with Section 8.2 of PCW-NEDA-DBM JC No. 2012-01 dated July 20, 2012. However, the following deficiencies were noted in the implementation of GAD:**
 - a. **Only P263.447 million or 75.03 per cent of the approved GPB was utilized, an indication that the planned programs, activities and projects (PAPs) were not fully implemented, thus, the identified gender issues during the year were not sufficiently addressed; and**
 - b. **Variance of P173.480 million in GAD expenses between the accounting records amounting to P89.967 million and the reported amount of P263.447 million in the GAD AR due to non-assignment/creation of GAD RC Codes for GFPS, contrary to COA Circular No. 2021-008 dated September 6, 2021.**
- 5.1. RA No. 9710, known as the Magna Carta of Women (MCW), mandates all government offices, including GOCCs, to adopt gender mainstreaming as a strategy to promote women's human rights and eliminate gender discrimination in their systems, structures, policies, programs, processes, and procedures.
- 5.2. To implement the MCW, the PCW-NEDA-DBM JC No. 2012-01 dated July 20, 2012 set forth the guidelines and procedures for the formulation, development, submission, implementation, monitoring, and evaluation of the results of agency's annual GPB and GAD AR.
- 5.3. It is worthy to mention that the NFA GPB for CY 2022 was reviewed and endorsed by the PCW on May 19, 2022, which is compliant with Section 8.2 of the aforementioned JC. The same was submitted to the Office of the Auditor on May 25, 2022. Nevertheless, audit of the implementation of the GAD PAPs indicated in the CY 2022 GPB revealed deficiencies as discussed hereunder.

Only P263.447 million or 75.03 per cent of the approved GPB was utilized, an indication that the planned PAPs were not fully implemented, thus, the identified gender issues during the year were not sufficiently addressed

5.4. Sections 2.3 and 6.1 of PCW-NEDA-DBM JC No. 2012-01 provide, among others, the following:

2.3 Pursuant to the MCW and the General Appropriations Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs) government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five per cent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.

6.1 At least five per cent (5%) of the total agency budget appropriation authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE) capital outlay (CO) and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.

5.5. Evaluation of the total expenditures reported in the GAD AR for the 24 identified gender issues disclosed that only P263.447 million, equivalent to 75.03 per cent of the GPB of P351.133 million under GAA for FY 2022, was utilized in the implementation of the PAPs to address these identified gender issues.

5.6. It was further noted that the PAPs for the 18 of the identified gender issues in the approved GPB with a total budget of P204.088 million were only partially implemented, while six PAPs were not implemented at all, an indication that the identified gender issues during the year were not sufficiently addressed.

5.7. Also, the inability of Management to fully implement the PAPs to address the identified gender issues indicated in the GPB for CY 2022 deprived the targeted beneficiaries of the benefits thereof.

Variance of P173.480 million in GAD expenses between the accounting records amounting to P89.967 million and the reported amount of P263.447 million in the GAD AR due to non-assignment/creation of GAD RC Codes for GFPS, contrary to COA Circular No. 2021-008 dated September 6, 2021

- 5.8. 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, and to monitor and properly account for the GAD funds.
- 5.9. 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, 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 Item 10.0 [Preparation and Submission of GAD ARs] of the PCW-NEDA-DBM JC No. 2012-01 for xxx GCs; xxx.*
- 5.10. Comparison of the Accounting records and GAD AR for CY 2022 showed a variance of P173.480 million, as shown in Table 13.

Table 13 - Variance Between the Accounting Records and GAD AR for CY 2022

Particulars	Amount
GAD AR	P263,447,348
Accounting Records	89,967,396
Variance	P173,479,952

5.11. Analysis of the GAD AR disclosed that the variance amounting to P170.900 million was due to expenses attributed to four major PAPs not reported by the Accountant as expenditures charged to GAD funds, details in Table 14.

Table 14 – Implemented PAPs not Reported as GAD Expenses by the Accounting Division

Gender Issues	PAPs	Expenses reported in GAD AR
Non-integration of the GAD perspective in the implementation of the Agency's PAPs for clients/stakeholders	Conduct of meetings / consultations with stakeholders and farmers' RFAC/ PFAC	P 5,791,727
Non-integration of the GAD perspective in the implementation of the Agency's PAPs for clients/stakeholders Gender Mainstreaming as a strategy for implementing the MCW	Conduct Ugnayan activities related to information dissemination about sex disaggregated data in the Registry System of Basic Sectors in Agriculture, MCW, and violence against women and children (VAWC)	6,186,287
Lack of awareness on the right of women by NFA stakeholders. Chapter 6, Section 36. Mainstreaming as a strategy for Implementing the MCW	Conduct GAD Awareness training to integrate the GAD perspective in the performance of the function of all employees in the attainment of the Agency's mandate and social corporate objective	8,049,117
Lack of Agency's marketing support assistance for women farmers' MCW. Chapter V - Rights and Empowerment of Marginalized Sector, Section 20 (b) Right to Resources and Food Production	Procure the quantity of palay exclusively allotted for women farmers – at least 6,000 metric tons of the mandated buffer stocks	150,873,106
Total expenses		P170,900,237

5.12. It was also observed that while the consolidated expenses under the Maintenance and Other Operating Expenses (MOOE) amounting to P23.017 million were charged to GAD funds per accounting report, the GAD AR reported expenses totaling P37.178 million for three activities pertaining to conduct of seminars/trainings/workshops which cannot be traced in the reported expenses in the MOOE, to wit: (a) conduct of workshop on GPB and GAD AR - P12.142 million; (b) conduct of training/seminars on MCW - P13.756 million; and (c) conduct of training on gender analysis tools (HGDG and Gender Statistics) - P11.280 million.

- 5.13. The variance of P173.480 million in GAD expenses between the accounting records and the reported amount in the GAD AR was due to non-assignment/creation of GAD RC Codes for GFPS, contrary to COA Circular No. 2021-008 dated September 6, 2021.
- 5.14. **We recommended that Management direct the:**
- a. **GFPS and its TWG to implement fully the GAD PAPs indicated in the PCW-endorsed GPB to ensure that all identified gender issues are duly addressed, moving forward; and**
 - b. **Finance Department 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 to properly account for GAD funds as required by COA Circular No. 2021-008;**
- 5.15. Management provided the following comments/justifications:
- a. Due to NFA's restructuring plan, significant number of members of the GFPS and TWG were newly appointed, thus restricts their ability to fully execute GAD-related PAPs and effectively address gender-related concerns.
 - b. They are cognizant with the Audit Team's recommendations and will prioritize the GAD related activities.
- 5.16. As a rejoinder, the Audit Team will continuously monitor compliance by Management with GAD rules and regulations. The full implementation of the recommendations will be monitored in the CY 2023 audit.

COMPLIANCE WITH TAX LAWS

6. The NFA properly withheld the required Percentage/Final, Expanded Withholding and Value Added Taxes from the purchase of goods and services and taxes on compensation income from salaries of officials and employees. The total taxes withheld in CY 2022 amounting to P268.149 million were remitted to the Bureau of Internal Revenue within the prescribed period, thereby helping the National Government to collect funds needed for its operations.

COMPLIANCE WITH RA NO. 8291, GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) LAW

7. The NFA substantially complied with Section 14.1 of the IRR of RA No. 8291, which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days following the month of the calendar month to which the contributions apply.

COMPLIANCE WITH RA NO. 10606, NATIONAL HEALTH INSURANCE ACT

8. The NFA considerably complied with the requirements of RA No. 10606 in deducting and remitting the premium contributions (employees' and employer's shares) to the Philippine Health Insurance Corporation.

COMPLIANCE WITH RA NO. 9679 (PAGIBIG)

9. In accordance with the requirements of RA No. 9679, the NFA properly deducted the Pag-IBIG Fund contributions and payment of loans from the salaries of the officials and employees. As of December 31, 2022, employees' premiums and other payables in the total amount of P487,601 were not remitted to the Home Mutual Development Fund.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

10. As of December 31, 2022, the total unsettled audit suspensions, disallowances and charges amounted to P29.626 million, P184.029 million and P2.352 million, respectively, as summarized in Table 15. The details and status are presented in **Annex A** of this Report.

Table 15 - Summary of Audit Suspensions, Disallowances and Charges

	Beginning Balance	Adjustment	Adjusted Beginning Balance	Issuance	Settlement	Ending Balance
Suspensions	P 17,049,979	P 2,224	P 17,052,203	P13,048,377	P 474,542	P 29,626,038
Disallowances	194,997,712	497,308	195,495,020	15,375,349	26,841,151	184,029,218
Charges	2,681,702	-	2,681,702	-	329,300	2,352,402
	P214,729,393	P499,532	P215,228,925	P28,423,726	P27,644,993	P216,007,658

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

Of the 174 audit recommendations embodied in prior years' Annual Audit Reports (AARs), 50 were reiterations of prior years' recommendations, hence, deleted from this Status. Of the remaining 124 recommendations, 24 were fully implemented; 70 were partially implemented; 7 were not implemented; and 23 were closed as the recommendations are no longer doable, details as follows:

Reference	Observations	Recommendations	Actions Taken/ Comments
<u>2021 AAR</u> Financial			
Audit Observation (AO) No. 1 Page 76	The non-elimination of Intra-Agency Receivables and Payables accounts as at December 31, 2021 in the amounts of P22.348 billion or 53.53 per cent of the total Assets of P41.744 billion and P20.384 billion or 12.28 per cent of the total Liabilities of P165.919 billion, respectively, which could not be considered as assets and liabilities as defined under Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1, adversely affected the relevance and faithful representation of the NFA's financial statements.	We reiterated our prior years' audit recommendations that the Finance Department and the ROs/BOs Finance Sections to: a. Continuously prioritize the elimination of the reciprocal accounts by conducting a nationwide reconciliation of the discrepancies to have reliable financial statements balances at year-end; b. Ensure that all adjustments are duly supported with proper and complete documentation; and c. Strictly adhere to NFA SOP No. FS-GP13, especially on the regular preparation and submission of: (i) Schedule of interbranch transactions,	Revised and reformulated under Part II – Observation and Recommendation No. 1 of this Report. Partially Implemented. Substantial amounts were already eliminated due to efforts exerted since 2018 and up to present to reconcile and eliminate the reciprocal accounts. Partially Implemented. Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		(ii) Reconciliation Statements, (iii) elimination and reconciling entries, and (iii) confirmation advices, as applicable, and to consistently coordinate with other offices to reconcile the discrepancies.	
		Further, we recommended that Management:	
		a. Revisit and update the existing NFA SOP on intra-agency transactions for uniform policies/guidelines to be followed by the CO, ROs and BOs due to NFA's structural changes pursuant to RA No. 11203; and	Partially Implemented.
		b. Strictly implement the administrative sanctions provided in NFA SOP No. FS-GP13 to compel personnel concerned to address the significant variances noted in the intra-agency accounts and to avoid further accumulation thereof.	Partially Implemented.
AO No. 2 Page 82	The faithful representation in the financial statements and the verifiability of the balance of Accumulated Surplus/(Deficit) account amounting to P(129.175) billion could not be established in view of the net adjustments amounting to P2.873 billion recognized in CY 2021 Statement of Changes in Net Assets/Equity (SCNAE) which could not	We recommended that Management require the Accounting Division of Finance Department to:	Fully Implemented.
		a. Submit all JEVs as well as the corresponding supporting documents related to the adjustments made in CYs 2020 and 2021 on the Accumulated Surplus/(Deficit) account; otherwise, reverse the entries made;	

Reference	Observations	Recommendations	Actions Taken/ Comments
	be substantiated due to non-submission of JEVs and other pertinent documents, contrary to Paragraphs 3.26 and 3.27 of Chapter 3: Qualitative Characteristics of CFGPFRPSE, and casts doubt on the propriety and validity of adjustments made in the Accumulated Surplus/(Deficit) account and other affected accounts.	<ul style="list-style-type: none"> b. Stop making adjustments in the Accumulated Surplus/(Deficit) account if not duly supported with pertinent documents; and c. Effect in the SCNAE the restatements in the prior year financial statements to reflect prior period errors pertaining to income and expense accounts pursuant to Paragraph 47 of IPSAS 3. 	Fully Implemented. Fully Implemented.
AO No. 3 Page 85	The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P2.844 billion as at December 31, 2021 could not be established due to unreconciled variance in absolute figure amounting to P51.572 million between the balances of several PPE sub-accounts per books vis-a-vis the Report on the Physical Count of PPE (RPCPPE), contrary to Paragraph 27 of IPSAS 1. Likewise, the PPE account was understated by an undetermined amount due to non-recognition of the fair values as at the date of acquisition of parcels of donated land located in: (a) United Nations (UN) Avenue, Paco, Manila used by and where the NFA-National Capital Region (NCR) RO is located; and (b) Rizal, Kalinga in Region II-Cagayan BO with	<p>We recommended that Management require the:</p> <ul style="list-style-type: none"> a. CO Accounting Division and ROs and BOs Accounting Section and General Services Division (GSD)/Section to conduct thorough verification and reconciliation of the property and accounting records on a regular basis to determine the other cause/s of discrepancies so that necessary corrections/adjustments can be effected in both records to arrive at the correct/reconciled balances of the PPE account; b. GSD: (i) in coordination with Legal Affairs Department to exert best effort to secure necessary documents such as Deed of Exchange/Donation relative to the land donated to NFA-NCR RO and facilitate the transfer of land title in favor of NFA to protect the rights and ownership of the Agency; 	<p>Partially Implemented.</p> <p>The unreconciled variance between the balances of several PPE sub-accounts per books vis-a-vis the RPCPPE was reduced to absolute amount of P30.688 million.</p> <p>Partially Implemented.</p> <p>Four registered parcels of land, and 16 untitled/undocumented parcels of land, were still not recognized in the books of accounts.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	estimated land area of 20,000 square meters, contrary to Paragraph 27 of IPSAS 17.	and (ii) to determine the fair values of the donated parcels of land at the time of donation and record the same in the books of accounts; and	Partially Implemented.
AO No. 4 Page 91	The faithful representation in the financial statements of the balances of the Inventory Held for Consumption (IHC) and Semi-Expendable (SE) Inventory accounts amounting to P368.711 million as at December 31, 2021 could not be established due to non-reconciliation and disparity of P25.245 million between the balance per books of P36.271 million in the CO, NCR-RO and NCR-EBDO vis-à-vis per inventory count in the sum of P11.026 million, which is not in accordance with Paragraph 27 of IPSAS 1. Also, the verifiability of the balances of the IHC and SE Inventory accounts in the amounts of P363.938 million and P4.773 million as at December 3, 2021 were doubtful due to, among others: (a) non-	<p data-bbox="813 499 1201 863">c. Accounting Section of NCR RO and Cagayan BO to ensure proper recording of PPE and related accounts provided in NFA SOP No. GS-PS01, and prepare adjusting journal entries to record the fair values of the parcels of land at the date of acquisition.</p> <p data-bbox="813 898 1201 957">We recommended that Management:</p> <p data-bbox="813 999 1201 1297">a. Devise a system-based inventory management system, preferably integrated into e-IFOMIS, to facilitate preparation and maintenance of complete inventory records, i.e. SLCs, SCs, RSMIs, ICSs, etc.;</p> <p data-bbox="813 1339 1201 1734">b. Require the Accounting Division/Section and Property Custodian to accomplish and maintain the prescribed SLCs and SCs, and such other required reports, in compliance with NFA SOP No. GS-PD25, to ensure better control and monitoring of the correct inventory balances;</p> <p data-bbox="813 1776 1201 1900">c. Instruct the GSD personnel to timely submit the RSMIs to the Accounting Division to</p>	<p data-bbox="1227 499 1406 558">Partially Implemented.</p> <p data-bbox="1227 999 1406 1058">Partially Implemented.</p> <p data-bbox="1227 1339 1406 1398">Partially Implemented.</p> <p data-bbox="1227 1776 1406 1835">Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>maintenance of Stock Ledger Cards (SLCs) and/or Stock Cards (SCs); (b) delayed/ non-preparation of the Report on the Physical Count of Inventory (RPCI) and Reports of Supplies and Materials Issued (RSMIs); (c) non-issuance of Requisition and Issue Slips (RISs) and/or Inventory Custodian Slips (ICSs), and (d) incomplete/non-conduct of physical inventory count, contrary to Paragraphs 3.26 and 3.27 of Chapter 3: Qualitative Characteristics of the CFGPFRPSE.</p>	<p>minimize the need for reconciliation and eliminate timing variances;</p> <p>d. Direct the Inventory Committee to conduct the periodic semi-annual physical count of inventory and prepare the RPCI; and</p> <p>e. Require the Accounting Division and GSD to reconcile the balances per books with the RPCI, and henceforth, perform periodic reconciliations to effect the necessary adjustments to come up with a reliable balance of IHC and SE Inventory accounts.</p>	<p>Partially Implemented.</p> <p>Not Implemented.</p> <p>Absolute variance of P40.837 million in several Offices between the balance per books of P54.145 million vis-à-vis per inventory count of P20.294 million was not yet reconciled.</p>
AO No. 5 Page 96	<p>The inadequacy of the required disclosures in the Notes to Financial Statements, such as, the nature and extent of prior period restatements, nature and status of significant increases/decreases of the accounts, and the Agency's asset rationalization and divestment plans, among others; and amounts of Impairment Loss in CYs 2020 and 2021 as disclosed in Note 29.3 to Financial Statements did not tally with the increase in the Allowance for Impairment Loss for both years as disclosed in Note</p>	<p>We reiterated our prior years' audit recommendations that Management direct the Accounting Division to:</p> <p>a. Rigorously fully comply with the relevant provisions of IPSASs and COA issuances in the preparation and presentation of the financial statements and the accompanying notes;</p> <p>b. In consonance with the Agency's restructuring, formulate a system or structure that could provide a complete review and control in the adoption and implementation of the</p>	<p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	9 to Financial Statements, which are all not in conformity with the requirements of Paragraphs 15, 29, 127 and 128 of IPSAS 1, thereby deprived the intended users of the financial statements of relevant information in making economic decisions.	relevant IPSASs to enhance and eliminate misstatements in the presentation and disclosure of the financial statements. Further, we recommended that the Accounting Division adopt the suggested enhancements in the financial statements presentation of the accounts as well as in the Notes to Financial Statements to align with the requirements of the Standards and for better understandability of the users of the financial statements and other stakeholders.	Partially Implemented. Management has started to comply with the suggested enhancements.
Non-Financial AO No. 6 Page 103	The NFA was not able to obtain the most advantageous price in the procurement of 15 units 4x2 Pick-up Truck in view of some of the factors provided in the Government Procurement Policy Board (GPPB) Manual of Procedures (MOP) for the Procurement of Goods and Services were not considered and/or judiciously evaluated by the Bids and Awards Committee (BAC) Technical Working Group (TWG) in the determination of the Approved Budget for the Contract (ABC) of P21.890 million, thus resulted in higher contract cost by P72,400 per unit, or a total of P1.086 million for said procurement, than the Suggested Retail Price (SRP) for the same vehicle model published in the	We recommended that Management instruct: a. The BAC and its TWG to exercise due prudence in determining the ABC by comprehensively considering all the necessary factors provided in GPPB MOP so as to obtain the most advantageous price for the government, moving forward; and b. The Finance Department, in coordination with the BAC to collect the safeguard duty in the total	Partially Implemented. The Finance Department (FD) coordinated with AGSD through letter memorandum FD-AD-2022-H-042 dated August 12, 2022 requesting the required documents, details and actions taken by the BAC-TWG relative to the findings of COA. Closed. Issued Notice of Suspension (NS)

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>manufacturers' official website and dealers' advertisements. Further, the provisional safeguard duty of P123,200 per unit or the total amount of P1.848 million which was included in the contract price was not returned by the Supplier to the NFA, contrary to Custom Memorandum Order (CMO) No. 28-2021.</p>	<p>amount of P1.848 million from the supplier pursuant to BOC CMO No. 28. 2021; otherwise, appropriate audit action shall be issued to persons determined liable for the transaction.</p>	<p>23-001(2021) dated February 23, 2023.</p>
<p>AO No. 7 Page 108</p>	<p>Provision for profit margin in addition to Administrative Cost in the computation of the ABC for the "Procurement of Handling (and Allied) Services for Calendar Years 2020-2021" of NFA Cagayan Valley Region (CVR) is not in conformance with the Standard Computation prescribed in the Department of Labor and Employment (DOLE) Department Order (DO) No. 174, Series of 2017; thus, resulting in excessive contract price amounting to P34.866 million. Moreover, specific work to be undertaken by the Job Order (JO) workers for allied services was not expressly stated in the bidding documents and contract, instead, this was presented as per "move" same with the handling services; thus, the absence of reference to evaluate the actual accomplishments versus targets could be attributed to poor procurement planning.</p>	<p>We recommended that Management direct the NFA CVR BAC to:</p> <ol style="list-style-type: none"> a. Provide the legal basis in providing profit margin in addition to the administrative cost, and explain the sudden increase in the profit margin in CY 2021 to 15 per cent from prior year's rate of 10 per cent; and b. Review and revise the computation of the ABC for Allied Services taking into consideration the factors laid down in Section 2 of the MOP for the Procurement for Goods and Services and GPPB Resolution No. 07-2005. <p>We further recommended that the Corporate Planning Division revisit NFA SOP Nos. GM-G025 and GM-G026, and assess the need for revision, where necessary, in adherence with applicable laws, rules and regulations issued by oversight government agencies.</p>	<p>Not Implemented.</p> <p>Not Implemented.</p> <p>Not Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 8 Page 112	Two hundred five (205) Purchase Orders (POs)/Job Orders (JOs) for various procurements with aggregate amount of P6.914 million were without “conforme” signatures by suppliers or if signed, dates were not indicated; thus, compliance by the suppliers with the agreed delivery date is not verifiable. Also, POs/JOs for procurement aggregating P0.679 million were submitted beyond the reglementary period, contrary to the provisions of COA Circular Nos. 2009-001 and 97-004 dated February 12, 2009 and dated July 1, 1997, respectively, thereby, caused the delay in the conduct of audit/verification and timely communication of the deficiencies noted in the review, if any.	We recommended that Management require the GSD in the CO and General Services Section of the ROs/BOs to: (a) strictly adhere with COA Circular Nos. 2009-001 and 97-004, dated February 12, 2009 and July 1, 1997, respectively, on the submission of POs and JOs with complete supporting documents to the Auditor within the reglementary period; and (b) ensure that all the required information in the POs/JOs are duly filled out before submitting to the Audit Teams, such as, supplier’s printed name, supplier’s signature, and date of acceptance in the conforme section.	Partially Implemented. In NFA CO, the copies of the PO with supporting documents are submitted to the Office of the Auditor only after the payment of procured goods, which are attached to the disbursement voucher (DV).
AO No. 9 Page 114	The executive/managerial employees of NFA CO and NCR claimed transportation allowance (TA) totaling P1.373 million despite that government motor vehicles were assigned to their respective offices, contrary to Section 56, General Provisions of RA No. 11518, otherwise known as the General Appropriations Act (GAA) of Fiscal Year (FY) 2021, COA Circular No. 75-6 dated November 17, 1975, and Supreme Court Decision in the case of Aida Domingo vs. COA,	We recommended that Management: a. Require the NFA officials concerned with assigned government vehicles to immediately refund the transportation allowance claimed in CY 2021; and b. Discontinue the payment of transportation allowance to NFA officials with assigned government motor vehicles in compliance with the	Closed. In NCR-RO, Notice of Disallowance (ND) No. NFA-NCR 2022-001 dated October 12, 2022 was issued. Not Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	G.R. No. 112371 dated October 7, 1998.	applicable GAA, COA Circular No. 75-6 and Supreme Court Decision in Domingo vs. COA, G.R. No. 112371 dated October 7, 1998.	
AO No. 10 Page 117	<p>Payments of COVID-19 Hazard Pay in CY 2021 to NFA personnel in the aggregate amount of P0.540 million under the following circumstances: (a) during weekends, holidays, while on Work From Home (WFH) arrangements and without authority to report for work; (b) while in areas under the General Community Quarantine (GCQ) and Modified General Community Quarantine (MGCQ); and (c) absence of proclamation/executive order/ordinance imposing ECQ/MECQ, were not in accordance with Administrative Order (AO) No. 26 dated March 23, 2020, as amended by AO No. 43 dated June 1, 2021, and NFA Memorandum No. AO2020-04-012 dated April 6, 2020, as amended by NFA Memorandum No. AO 2021-06-030 dated June 8, 2021.</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> a. Instruct the departments/offices concerned to submit the authority or AWA of the personnel who reported for work and were paid COVID-19 Hazard Pay during weekends, holidays, and while on WFH schedule; otherwise, cause the refund of the payments made; b. Require the personnel who were granted COVID-19 Hazard Pay while in areas implementing GCQ and MGCQ and who physically reported for work to refund the payments made; c. Henceforth, strictly comply with the provisions of AO No. 26, s. 2020 as amended by AO No. 43, s. 2021; NFA Memorandum No. AO 2020-04-012 dated April 6, 2020, as amended by NFA Memorandum No. AO 2021-06-030 dated June 8, 2021; NFA Memorandum No. AO 2021-03-019 dated March 	<p>Closed.</p> <p>In NFA CO, Management submitted copy of authority of AWA of the personnel who reported for work and were paid COVID-19 Hazard pay.</p> <p>Corresponding NS to be issued by Audit Teams concerned.</p> <p>Closed.</p> <p>For issuance of ND by Audit Teams concerned.</p> <p>Fully Implemented.</p> <p>No COVID-19 Hazard Pay in 2022.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		19, 2021; and NFA Memorandum No. AO 2021-08-002 dated August 4, 2021;	
		d. Direct the NFA Agusan del Sur BO personnel concerned to refund the payment of COVID-19 Hazard Pay for the period September 12-30, 2021 since the entire area was not placed under ECQ/MECQ; and	Fully Implemented. Concerned employees were directed to refund the overpayment on Hazard Pay and agreed to have their salaries and other claims deducted with certain amounts until the same is fully paid.
		e. Direct the Accountants of the CO, ROs and BOs to: (i) thoroughly review all relevant documents before approving for payment the claims for COVID-19 Hazard Pay; and (ii) submit to the Audit Teams concerned the necessary documents, specifically on the proclamation/imposition placing the affected areas under ECQ/MECQ, for proper evaluation.	Fully Implemented. Management submitted copies of proclamation/imposition of ECQ and MECQ in NCR.
AO No. 11 Page 123	The existing GAD rules and regulations were not strictly complied with by NFA in CY 2021, considering the following: a. The NFA utilization of only P91.537 million or 25.98 per cent of the P352.300 million GAD Funds for CY 2021	We recommended that Management direct the GFPS and its TWG to, moving forward: a. Ensure that all the GAD PAPs outlined in the GPB be fully implemented to	Updated and reiterated under Part II – Observation and Recommendation No. 5 of this Report. Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>would indicate that the planned programs, activities and projects (PAPs) outlined in the GAD Plan and Budget (GPB) were not fully implemented, thus, depriving the targeted beneficiaries of the benefits expected from these GAD PAPs;</p>	<p>address the gender issues of the Agency;</p>	<p>Members are simultaneously involved in other TWGs/ Committees associated with the restructuring plan, which restricts their ability to fully execute GAD-related PAPs and effectively address gender related concerns.</p>
	<p>b. The GAD Accomplishment Report (GAD AR) was not supported with Project Implementation and Management, and Monitoring and Evaluation (PIMME) or the Facility Implementation, Management, and Monitoring and Evaluation (FIMME) checklist, to assess the gender-responsiveness of the implementation of the PAPs in accordance with Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2021-06 dated December 10, 2021;</p>	<p>b. Use the HGDG tool 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 GPBs and GAD ARs;</p>	<p>Partially Implemented.</p>
	<p>c. There is a discrepancy of P23.351 million between the accounting records and the reported amount in the GAD AR submitted to the PCW; and</p>	<p>c. Attach to the GPB and GAD AR submission to the PCW, the PDF copies of the results of HGDG PIMME/FIMME checklist, the program/project brief and accomplishment report; details of expenditure; as well as the relevant means of verifications for the agency self-rating, such as, activity reports, monitoring and evaluation reports, list of sex-disaggregated data or gender statistics that were used and/or collected, among others;</p>	<p>Partially Implemented.</p>
	<p>d. GAD Agenda, as the Agency's strategic framework and plan on gender mainstreaming</p>	<p>d. Ensure that the amount reported in the GAD AR matched with the records of the accounting;</p>	<p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	and achieving women's empowerment and gender equality, is not prepared yet by the NFA, which is not consistent with Item 5.1 of PCW, National Economic and Development Authority (NEDA), and Department of Budget and Management (DBM) Joint Circular 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 of the Agency may not have been completely identified and addressed.	<p>e. 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;</p> <p>f. Ensure compliance with PCW-NEDA-DBM Joint Circular No. 2012-01 in attributing and utilizing the annual GPB to implement the PAPs that will address gender issues;</p> <p>g. Formulate an effective monitoring system to ensure that all identified GAD PAPs will be timely and fully undertaken within the year; and</p> <p>h. Prioritize the capacity building program of its members through attendance to various GAD training and workshops.</p>	<p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

2020 AAR

AO No. 4
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Uncollected overdue receivables amounting to P255.832 million from various private and government companies/ individuals and former NFA officials/employees who are already deceased and/or resigned/separated from the service remained dormant for 10 years and more due to lack of documentation and absence of updated

We recommended that the FD and/or RO/Branch Accounting Sections to:

a. Continuously send demand letters to the last known addresses of debtors and employees/ personnel who are no longer connected with NFA;

Partially Implemented.
Management sent demand letters to former employees and asked assistance from other government

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>information on collection. Non-implementation of existing guidelines and measures for dormant accounts pursuant to COA Circular No. 2016-005 and NFA SOP FS-FA13 affects the fair presentation of the balance of various Receivable accounts.</p>	<p>b. Exhaust all possible legal remedies for the collection of long outstanding accounts, particularly those of private entities;</p> <p>c. Coordinate with government offices concerned for possible collection/reconciliation of accounts;</p> <p>d. Ensure that the retiring/resigning/transferring employees have already settled their money and property accountabilities before the issuance of the agency clearances;</p> <p>e. Periodically review the receivables by preparing Aging Schedule, at least</p>	<p>agencies for the postal address of retired/separated employees.</p> <p>Partially Implemented.</p> <p>Management is continuously exerting efforts to collect the various receivables.</p> <p>Partially Implemented.</p> <p>Reiterated in Part II – Observation and Recommendation No. 1 of this Report.</p> <p>Fully Implemented.</p> <p>Receivables from disallowances and unliquidated cash advances were deducted from the Service Incentive Package and Terminal Leave of the retiring employees before the issuance of clearance from property and financial accountability.</p> <p>Fully Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		on a quarterly basis, to determine the inactivity of the accounts so as to take appropriate and immediate action thereon; and	Management submitted the report of unliquidated cash advance, fund transfer and other receivables.
		f. Consider the applicability of the guidelines and procedures prescribed under COA Circular No. 2016-005 on the writing-off of dormant accounts.	Partially Implemented.
AO No. 5 Page 103	The accuracy and reliability of the reported balance of the Customers' Deposits Payable account of the NFA CO as of December 31, 2020 amounting to P130.238 million cannot be ascertained due to incomplete documentation, discrepancy of P4.277 million between the balance per books and the result of confirmations, and the inclusion of unidentified deposits from various legislators amounting to P5.00 million which remained dormant for 20 years.	We recommended that Management: a. Require the FD to: i. prepare JEVs corresponding to the issuance of stocks to various clients and submit to the Office of the Auditor all the approved JEVs and supporting documents, such as Memorandum of Agreement (MOA), WSI, and the corresponding relevant documents from ROs/POs; and ii. reconcile its records with that of the OPAPP and the DSWD-NRLMB;	Fully Implemented. Management submitted copy of JEV, MOA and WSI and the corresponding relevant documents from field offices. Partially Implemented. Liquidation Report sent to OPPAP and DSWD-NRLMB. For confirmation of account balances as of December 31, 2022.

Reference	Observations	Recommendations	Actions Taken/ Comments
		<p>b. Instruct the GMOD, ROs, FOUUs, and the FD to coordinate regularly regarding the receipts of payment and issuance of rice stocks to ensure the proper accounting and documentation of customers' deposits;</p> <p>c. Coordinate with ROs IX and X in identifying the legislators and the reference SAROs. As an alternative action, obtain the necessary information from the DBM. Otherwise, return to the National Treasury all unutilized funds deposited by the legislators who are no longer in the service; and</p> <p>d. Consider the applicability of the guidelines and procedures prescribed under COA Circular No. 99-004, EO Nos. 109 and 87, and DBM and COA Joint Circular No. 99-06 on the reversion of accounts payable.</p>	<p>Partially Implemented.</p> <p>Some of the customers' accounts were properly accounted and documented. While the accounts of various legislators which remained dormant for more than ten years are still undocumented.</p> <p>Not Implemented.</p> <p>Not Implemented.</p>
AO No. 7 Page 112	The procurement for 23 contracts awarded by NCR and ROs IV, VI, X and XV - CARAGA with an aggregate cost of P271.964 million in	We recommended that Management instruct the procurement offices concerned to strictly comply with the requirements of RA No. 9184 and its Revised IRR,	Closed. In Region VI-Negros Occidental PO, Management

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>CY 2020 were not in accordance with the requirements of certain provisions of RA No. 9184 and its Revised Implementing Rules and Regulations (IRR), casting doubt on the veracity of the transactions. Moreover, the late submission of the contracts within five working days from the date of execution is contrary to COA Circular No. 2009-001 and precluded the conduct of timely review/evaluation of the contracts and prompt communication of any observations noted in the course of audit.</p>	<p>specifically the preparation of APP, conduct of post-qualification, procurement timelines, and mode of procurement.</p>	<p>complied with the required submission of documents.</p>
<p>AO No. 8 Page 114</p>	<p>NFA has no specific policy to implement Rule 8.3.2 of the IRR of RA No. 11203 in the disposition of good quality rice through donation during state of calamity which may affect its buffer stocking requirement and the legitimacy of the donation.</p>	<p>We recommended that Management consider formulating a policy on the disposal of good quality rice through donation so as to ensure the legitimacy of the donation to the victims of calamities/disasters, whether caused by fortuitous events or man-made.</p>	<p>Closed. Management committed that NFA will no longer engage in the provision of rice donation for the succeeding years.</p>
<p>AO No. 9 Page 116</p>	<p>The non-compliance with some provisions on warehouse custody, piling system, storage structure and specification, and good warehouse keeping, among others, specified in SOP No. GM-WH07, otherwise known as NFA's warehousing policies and procedures could result in losses due to stock/grain damages/deterioration and could cause environmental and health hazards.</p>	<p>We recommended that the AGSD:</p> <ol style="list-style-type: none"> a. Enjoin the Facility Management Section and personnel concerned to strictly implement/observe the provisions of SOP No. GM-WH07; 	<p>Reiterated and updated under Part II – Observation and Recommendation No.4 of this Report. Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 10 Page 117	The rice inventory levels in the NFA NCR and other ROs/POs were not consistently maintained resulting in way below the required level of buffer stock requirements in almost all months of CY 2020, thus, might compromise the Agency's capability to carry out its mandate of responding effectively and immediately during disaster and emergency situations.	<p>b. Facilitate the immediate repair of the warehouse defects to prevent further warehouse deterioration and undue damage to the stocks, which could result in losses to NFA;</p> <p>c. Consider the utilization of advanced technologies such as CCTVs and other structures at warehouses to monitor activities inside the warehouses; and</p> <p>d. Ensure the regular fielding of the agency engineering team to conduct inspection of all facilities to determine their physical conditions so that necessary/ appropriate action/s can be immediately provided.</p> <p>We recommended that Management:</p> <p>a. Strengthen the local procurement level to ensure at all times the availability of the required buffer stock levels to attain the Agency's mandate under RA No. 11203 to immediately and effectively respond in times of calamities/ disasters;</p> <p>b. Formulate a more applicable plan of rice procurement and allocation that is aligned to</p>	<p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Reiterated and updated under Part II – Observation and Recommendation No. 3 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		the buffer stocking mandate of NFA and responsive to the needs of the LGUs and other government agencies during calamities/ disasters so as to avoid overstocking/ understocking; and	
		c. Establish a monitoring system to closely oversee the compliance of the POs/ROs with the DCR so as to avoid understocking that could hamper the immediate and effective response in times of disaster and emergency situations.	Partially Implemented.

2019 AAR

Page 63

Non-reversal of temporary entries for unreconciled items and errors in combination resulted in the discrepancies amounting to P194.224 million, P234.986 million and P40.762 million in the balances of the Assets, Liabilities and Government Equity accounts, respectively, between the balances of the accounts presented in the Statements of Financial Position from the combined Trial Balances (TBs) of the NFA ROs and CO and the totals of the accounts in the individual TB of the NFA ROs and CO, thus, affecting the fair presentation of the affected accounts.	We recommended that Management require the National Accountant to meticulously reconcile the variances between the financial statements and the Combined TBs per RO, and prepare adjusting entries accordingly to come up with reliable balances of the accounts presented in the financial statements.	Closed. The recommendation is no longer doable due to elimination of the said variances in the succeeding year.
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Reference	Observations	Recommendations	Actions Taken/ Comments
Page 70	Non-conduct of physical inventory count on inventories of P18.839 million; the variance of P8.038 million and 13,280 pcs. of accountable forms between accounting and supply records; and non-maintenance of adequate/updated records/non-preparation of reports affected the reliability and existence of the Inventories Held for Consumption account of P324.453 million.	We recommended that Management require the Regional and Provincial Managers concerned to turn over the custody of the agricultural supplies inventories to the GSD to ensure sound internal control as regards consumption/usage and issuance of the same.	Fully Implemented.
Page 76	The maintenance and utilization of the Cereal Procurement Fund (CPF) in 12 POs such as: (a) underutilization of CPF and non-remittance of the unutilized CPF to the NFA-CO - P101.668 million; (b) incomplete documentation for CPF replenishment - P94.231 million; and (c) use of CPF for purposes other than palay procurement - P300,000 could hamper the agency's palay procurement activities and cause the management to fall short in achieving its objective of maintaining the required buffer stocks that will be used during disasters/calamities.	<p>We recommended that Management:</p> <p>a. Require the Provincial Managers concerned to instruct their Senior Accounting Specialist to strictly assess the completeness of the supporting documents submitted by the Special Disbursing Officers pertaining to the replenishment of cash advances for the procurement of palay to facilitate the verification of information and the determination of the validity and propriety of payments;</p> <p>b. Formulate more realizable estimates for budget requests based on duly assessed provincial procurement target to utilize CPF effectively and efficiently and be able to attain the required buffer stock needed for food</p>	<p>Fully Implemented.</p> <p>Statements of Individual Deliveries were already attached to the replenishment of CPF Cash Advances during CY 2020.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		<p>security. In addition, intensify the procurement activities by encouraging farmer participation through information dissemination before the start of main crop season and deploying more procurement teams in the areas where harvesting season is on-going; and</p>	
		<p>c. Return to NFA CO the unutilized CPF at the end of the procurement season/year in accord with the provisions of NFA SOP No. GM-PR33 and the directive issued by the NFA – Budget, Treasury and Fund Management Department Manager on December 19, 2019 which was communicated by the Regional Manager thru a wire message to all Provincial Managers on December 20, 2019.</p>	<p>Partially Implemented.</p>
<p>2018 AAR Page 68</p>	<p>The reliability and existence of the PPE account with carrying amount of P2.069 billion could not be established due to, among others: (a) unreconciled variance of P122.668 million between the book balance and the physical inventory count; (b) discrepancy of P1.931 million in the Construction in Progress account balance with Electronic New Government Accounting System (eNGAS) and balance with financial statements due to the</p>	<p>We recommended that Management require the ASD and Property Division of CO and ROs/POs to create an appraisal committee to come up with the appraised value of the parcels of land owned by NFA based on its classification whether commercial, industrial or residential lot to reflect the correct valuation of the properties</p>	<p>Fully Implemented. The three parcels of land were already sold.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 74	<p>transfer/reclassification of the amount to another account without preparation and posting of the journal entry in the books; (c) unrecorded/undocumented parcels of land; (d) non-reclassification of three parcels of land in NCR-North District Office (NDO) intended for divestment to Investment Property account; and (e) non-conduct of annual physical inventory.</p> <p>An aggregate amount of P501.928 million investments did not reconcile with confirmed balances, were without supporting documents and no longer existing in the books of the investees as at December 31, 2018 due to the inability of the Management to strictly monitor its investments, thereby adversely affecting the reliability of the year-end balance of Non-Current Financial Assets account.</p>	<p>We recommended that Management require the ASD to:</p> <ol style="list-style-type: none"> a. Vigorously coordinate with the Asset Privatization Trust, Bureau of the Treasury (BTr), and Department of Agriculture (DA) for the return of NFA's investment in Gasifier and Equipment Manufacturing Corporation (GEMCOR); b. Coordinate with Food Terminal, Inc. (FTI), Manila Electric Company (MERALCO) and Development Bank of the Philippines (DBP) for the reconciliation of the Investment account balances; and 	<p>Partially Implemented.</p> <p>Management coordinated with the DA. However, no documents were retrieved pertaining to the investment in GEMCOR.</p> <p>Partially Implemented.</p> <p>Management coordinated with the FTI. Correcting entry was already made for MERALCO account in CY 2018. Reconciliation for DBP account is on-going.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		c. For Philippine Long Distance Telephone Co., Kutowato, Capitol City Sports and Country Club, DBP-Trust, and NFA Employees Association, exert utmost efforts to retrieve/obtain documents to support the balances presented in the books, and to reconcile with the investees the difference between the book and confirmed balances.	Partially Implemented. Per inquiry with the ASD, Management will prepare request to the COA to derecognize these accounts since the NFA has no available documents to present to the investee in order to redeem the investment.
Page 78	The reliability of the Inter-Agency Payables - Due to the National Treasury account balance of P46.019 billion as at December 31, 2018 is uncertain due to the dormant accounts and abnormal/negative balances of P54.983 million and P1.616 million, respectively, and the absence of necessary supporting documents to substantiate the account balance. The huge amount of guarantee fee of P3.354 billion or 40.06 percent of the total guarantee fee of P8.374 billion remained outstanding for over five years. On the other hand, Interest Payable – Net Lending account significantly increased by P1.232 billion or 98.40 per cent of the total increase in Interest Payable of P1.252 billion coupled with	We recommended that Management: a. Coordinate and confirm with the BTr for the establishment of the correct amount of NFA obligations so that necessary adjusting entries can be made; and b. Settle outstanding advances, including the interest and guarantee fees.	Reiterated and updated under Part II – Observation and Recommendation No. 1 of this Report. Fully Implemented. The balance of Net lending, Guarantee fees and Interest on advances are already reconciled as of December 31, 2022. Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 90	<p>unsettled interests on advances made to NFA by the BTr of P2.290 billion or 65.02 percent of the total interest payable of P3.522 billion for over one year to over three years, indicated the inability of NFA to manage its obligations.</p> <p>The inability to undertake the necessary legal actions on shortages of Stock Accountable Officers (SAOs) by NFA Management as required in NFA existing policies and guidelines resulted in the accumulation of the stock shortages to P2.931 billion, that includes P0.960 billion pertaining to SAOs who were no longer connected with NFA. In addition, there were shortages amounting to P1.669 billion without computation of final Tolerable Allowance (TOLA) due to missing/incomplete warehouse/stock reports and the absence of prescribed time frame to complete stock examination in NFA policy on stock examination and TOLA computation. Hence, the final amount of shortages for collection could not be determined, thus, depriving NFA on the use of uncollected shortages to finance its programs and operations.</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> a. Require the Legal Affairs Department (LAD) of the CO to fast track the resolutions of the cases filed against SAOs; enforce collection of their shortages; and for SAOs no longer connected with NFA, continuously send demand letters to their last known addresses and follow up cases filed at the Ombudsman; b. Instruct the DOs/POs to exert utmost efforts to enforce/hasten the collection of the final shortages of SAOs still connected with NFA; and c. Revisit SOP No. GM-WH13 and prescribe appropriate timeframe so that the final shortages could be established within a reasonable period and immediate collection of shortages could be facilitated. 	<p>Reiterated and updated under Part II – Observation and Recommendation No. 1 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 101	<p>The completion of the contract amounting to P5.041 million for the Construction of NFA Records Center Extension Building was delayed due to unwarranted issuance of suspension order equivalent to 55 calendar days and additional delay of 294 calendar days. The Certificate of Completion was already issued and the retention money was released to the contractor, although the construction defects were not rectified by the contractor, thus depriving the Agency of the intended use of the project. Moreover, the delay due to unwarranted issuance of suspension order and additional delay resulted in imposable liquidated damages amounting to P66,861 which was not deducted from the final payment to the contractor.</p>	<p>We recommended that the Management direct the LAD and the Internal Audit Service Department (IASD) to:</p> <ol style="list-style-type: none"> <li data-bbox="813 432 1201 695">a. File appropriate charges against NFA personnel who issued Certificate of Completion and release the retention money despite the defects to be rectified by the contractor; and <li data-bbox="813 1507 1201 1768">b. Demand the contractor to correct all the defects noted at no extra cost to NFA or file appropriate charges for non-completion of the contract in a proper and workmanlike manner. 	<p>Fully Implemented.</p> <p>Memorandum dated April 23, 2023 from the NFA Office of Legal Services Department disclosed that the conduct of investigation was closed and terminated under LAD-IDD-23-C-073 dated March 8, 2023 which was approved by the NFA Administrator as the liquidated damages were fully collected from the contractor and only the defective smoke detector was not replaced by the contractor due to lapse of warranty period.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 107	Some provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification, and good warehouse-keeping were not strictly observed at NFA warehouses which could result in environmental and health hazards and losses due to grain damage/deterioration and theft/pilferage of stocks.	We recommended that Management ensure that Warehouse Supervisor shall be assigned to one warehouse only to enable him to fully exercise the diligence of a good father of a family in the custody of warehousing.	Reiterated and updated under Part II – Observation and Recommendation No. 3 of this Report Closed.
Page 118	The delayed and inadequate response and/or action of NFA CO during the recent 6.1 magnitude earthquake that struck large portions of Central Luzon manifested the lack of an established Disaster Preparedness, and Disaster Mitigation and Awareness Dissemination contrary to the goals and objective of RA No. 10121, otherwise known as the Philippine Disaster Risk Reduction and Management (DRRM) Act of 2010. Furthermore, the obsolescence of the NFA Disaster Preparedness Manual and SOP No. SP-OT01 adversely affected the NFA's operations as a whole, and its mandate to immediately respond to calamities and disasters.	We recommended that Management: a. Update the existing DRRM Plan (DRRMP) and SOP No. SP-OT01 to align with the requirements under RA No. 10121; and b. Thoroughly disseminate the updated DRRMP and SOP No. SP-OT01 to all levels of organization and require them to their respective DRRMP.	Fully Implemented. The NFA Public Service Continuity Plan (PSCP) was approved in September 2019 and is being implemented in all NFA offices. Fully Implemented.
2017 AAR Page 81	The existing Inventory Accounting System for supplies and materials and semi-expendable property	We recommended that Management maintain necessary volume of supplies and materials inventory for	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>as provided under NFA SOP No. GS-PD16 dated April 1, 1999 was not strictly implemented in view of various deficiencies, among others: (a) unreliable/inaccurate records; (b) poor maintenance of Stock Cards; (c) incomplete/non-conduct of physical inventory by some ROs/POs; and (d) non-compliance with the use of the prescribed RPCI form; thus, the existence and correctness of the balances of IHC and Semi-Expendable Machinery and Equipment (SEME) accounts of P342.138 million and P17.651 million, respectively, or totaling P359.789 million could not be ascertained. Moreover, there is a disparity amounting to P4.198 million in the NFA CO IHC and SEME accounts between the reported year-end balance in the books of P18.062 million and actual physical inventory of P13.864 million that could not be verified due to the afore-mentioned deficiencies.</p>	<p>stock and issue by applying the average consumption based on the historical data of the Agency.</p>	
Page 85	<p>The existence of dormant/non-moving accounts for 20 to 32 years totaling P600.619 million and absence of necessary supporting documents rendered the Financial Liabilities-Payables-Loans</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> a. Exert all efforts to secure the supporting documents to facilitate the review of the long outstanding loans payable, and prepare the 	<p>Partially Implemented. Some documents were secured for</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	Payable-Domestic account year-end balance of P82.122 billion unreliable. Further, recorded payments for the foreign loans amounting to P722.974 million for principal and P323.174 million for interest cannot be validated due to non-issuance of official receipts by the creditor.	necessary adjusting entries; b. Obtain copies of documents from the creditor evidencing payments on the loans and the corresponding interests; and c. Make necessary measures and arrangements for the settlement of the long outstanding loans accounts.	the accounts of Human Settlements Development Corporation and Minprocor. Partially Implemented. Ongoing retrieval of other supporting documents for Agrarian Credit Loan and Ministry of Agriculture and Food accounts. Partially Implemented. The P75 billion syndicated loan was already paid by the NFA in 2021 (thru NG Advances), while proceeds from sale of assets were committed by the NFA to pay outstanding obligations to the BTr.
Page 88	The reliability of Financial Liabilities-Inter-Agency Payables-Due to National Treasury account amounting to P39.301 billion as at December 31, 2017 is doubtful due to the existence of dormant/long outstanding accounts and abnormal/negative balance of P54.983 million and P1.616 million, respectively, and absence	We recommended that Management require the ASD to fast track the retrieval of the supporting documents in order to undertake an in-	Reiterated and updated under Part II – Observation and Recommendation No. 1 of this Report. Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	of necessary supporting documents. Moreover, outstanding guarantee fees of P8.212 billion and interest on advances amounting to P2.290 billion or 79.16 per cent of the total Payables-Interest Payable of P2.893 billion included amounts which remained unsettled for over one year to over three years and onwards, thereby depriving the National Government (NG) of the use of the funds to supplement its other priority goals, programs and projects.	depth analysis, verification and full extent of validation of dormant accounts, including the account with negative balance, so that necessary adjusting entries can be made.	
Page 96	The lack of determination of NFA Management to undertake the necessary legal actions on the shortages of SAOs aggregating P184.198 million, recorded under Receivables-Other Receivables-Due from Officers and Employees account, as required in NFA existing policies and guidelines had hampered the immediate recovery or settlement of the receivables, thereby, depriving the Agency of additional funds to finance its operation.	We recommended that Management: <ul style="list-style-type: none"> a. Revisit the existing warehousing policies and procedures (SOPs) to identify the causes of the incurrence of shortages and strengthen the measures that will prevent and/or address the same; b. Set up the Agency level monitoring and evaluation of the implementation of the NFA SOPs and guidelines on the settlement of shortages particularly on the issuance of demand letters to SAOs with established shortages within the prescribed period, filing of the appropriate administrative, criminal 	Partially Implemented. Management has communicated with NFA POs and FOs on efforts to revise existing NFA SOPs. Partially Implemented. Through the concerted efforts of LAD and the FOs, collections from SAOs as of November 30, 2019 amounted to P49.063 million of which P22.211 million were from approved

Reference	Observations	Recommendations	Actions Taken/ Comments
		and civil cases, and collection of shortages;	Compromise Agreement.
		c. Prioritize the liquidation of accountabilities of SAOs who are still in active service, especially those who are nearing retirement, and leverage on the role of Senior Accounts Specialist/ Accountant, to regularly deduct from all benefits and other resources accruing the SAO for the payment of shortages, in order to ensure NFA's welfare over the interest of SAOs;	Partially Implemented. Liquidation of the accountabilities by the SAOs still in the service is being done. To date, one SAO has fully liquidated with final TOLA result. Also, Palawan PO was able to collect additional P1.004 million.
		d. Persistently follow-up the early resolution of the cases of accountable officers concerned to effect immediate collection of their shortages;	Partially Implemented. LAD and the FOs were able to collect from those who have approved Compromise Agreement.
		e. Initiate/File a Petition for a Writ of Preliminary Attachment against the properties of the SAOs concerned to secure the satisfaction of any judgment;	Closed. The filing of cases against the properties of the SAOs is only possible if there is already a final judgment in favor of NFA establishing the liability of the SAOs. However, to date all the criminal cases are still pending.

Reference	Observations	Recommendations	Actions Taken/ Comments
		f. Closely monitor all pending administrative and criminal cases filed against erring SAOs so that information can be readily gathered and appropriate actions can be instituted, if warranted; and	Closed. Hearing schedules in criminal cases are scheduled by the courts and the handling lawyers can only request for early settings, but the delay in trial and resolution of cases are attended with a lot of factors which are already beyond the control of the handling lawyers.
		g. Revisit and/or modify NFA SOP to consider the delegation of authority to a lower level Management regarding the evaluation and approval of compromise agreement proposal of the SAOs on the payment of their final stock shortages, to facilitate the process and hasten settlement.	Fully Implemented. To ensure close monitoring of pending cases and strictly no filing of motion to reset hearing, NFA makes sure that handling lawyers are ready every hearing schedule and witnesses are present as the case may be. As for the Compromise Agreement, the CA-TWG has been effectively Implementing the SOP therein.

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 99	<p>Liberal implementation by Management of NFA's policies and procedures had caused stock shortages recorded under Other Non-Current Assets-Other Assets in the total amount of P2.008 billion to remain uncollected for more than five years, as the determination of final shortages and enforcement of collection/settlement thereof could not be pursued due to missing/incomplete documents, slow-paced stock examination and computation of TOLA and non-exhaustion of other remedies to collect from concerned SAOs.</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> a. Require the Stock Examination Group (SEG) to expedite the conduct of stock examination and adhere to the provisions of NFA SOP No. GM-WH13 on the use of secondary documents when warranted to facilitate the examination, and to immediately submit the Stock Examination Report (SER) to the Regional Tolerable Allowance Committee (RTAC) for TOLA computation; b. Instruct the RTAC to speed up the TOLA computation to establish the final shortages of the SAOs/Warehouse Supervisors (WSs) so that settlement/collection of the amounts could be pursued and the balance of the accountabilities that could not be ascertained be minimized/reduced; c. Enforce the sanctions provided in the Special Provisions of NFA SOP No. GM-WH13 which states that "Violation of the provisions of this SOP shall subject the offender to penalties provided for under applicable and reasonable NFA and Civil 	<p>Revised and reformulated under Part II – Observation and Recommendation No. 1 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		Service rules," to oblige the persons responsible to strictly implement the NFA SOPs on stock examination and TOLA computation;	
		d. Require the SEG to exert all efforts to locate missing documents to establish final shortages of SAOs; and	Partially Implemented.
		e. Assign a regular/permanent employee in the SEG to fast track the stock examination and preparation of SER.	Partially Implemented.
Page 201	Machineries, warehouse equipment, stock warehouses and parcels of land of four POs were idle and unutilized due to technical defects, lack of manpower training, absence of local procurement and expansion-development programs; thus, defeating the purpose of these assets, and resulting in the inefficient and ineffective utilization thereof.	If found to be unnecessary due to obsolescence and/or the cost of repair or maintenance is excessive, we recommended for the early disposition to avoid further deterioration and, possibly, to obtain economic value from the disposition.	Closed.
<u>2016 AAR</u> Page 80	The validity and accuracy of the balance of Accounts Payable amounting to P2.371 billion as of December 31, 2016 are doubtful due to existence of long outstanding accounts amounting to P130.015 million; dormant accounts amounting to P2.741 million, accounts with abnormal/negative	We recommended that Management: a. Consider the applicability of the guidelines and procedures prescribed under DBM-COA Joint Circular No. 99-06 dated November 13, 1999 on the reversion of accounts payable; and	Closed. DBM-COA Joint Circular No. 99-06 is not applicable to GOCCs, not maintaining Special Account

Reference	Observations	Recommendations	Actions Taken/ Comments
	balances amounting to P489,570, and other deficiencies noted in recording the transactions.	b. Require the ASD to analyze, verify and validate the dormant and abnormal/negative accounts and prepare necessary adjusting entries.	in the General Fund (SAGF). Closed.
Page 89	Trust liability accounts totaling P268.057 million in the books of HO have remained dormant for the past 10 years, rendering the existence of the obligation of NFA in the total amount of P558.916 million as of December 31, 2016 doubtful.	We recommended that Management: <ul style="list-style-type: none"> a. Require the thorough verification of the nature or purposes of the projects, with long outstanding balances, and determine the status whether already completed, discontinued or abandoned; b. Fast track the reconciliation of the balances against relevant records, determine the actual existence and proper valuation of accounts, ascertain and validate discrepancies between the recorded amounts and the actual existing balances; c. Make the necessary adjustments in the books to determine actual balances and cause remittance to the concerned agencies; 	Partially Implemented. NFA ASD was able to settle and submit terminal reports to COA for projects Arsenic, Cadmium, Tupig and Mango in an aggregate amount of P3.461 million. Partially Implemented. Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		d. Require the ASD and IASD to reconcile their records on Lingap Para sa Mahihirap Project Fund, effect the necessary adjustments which are adequately documented in order to reflect the correct balance, and submit fund utilization report indicating the summary of expenses and status of the report of accomplishments certified by the Accountant; and	Partially Implemented. Management is continuing its retrieval of documents/reconciliation with accounting records in other NFA FOs.
		e. In coordination with SAs concerned request for COA's authority to write-off dormant accounts in accordance with COA Circular No. 2016-005.	Partially Implemented.
Page 103	The balance of Deferred Credits account of P598.940 million as at December 31, 2016 is unreliable as this still includes dormant balances of P16.827 million in HO and several FOs with stocks that remained unwithdrawn for five years and more, and overages of SAOs of P178.328 million whose final accountabilities have not been established.	We recommended that Management prioritize the in-depth analysis to clear the long outstanding balances in the Deferred Credits account and instruct the HO departments/offices and ROs concerned to include, among others, the following:	
		a. Gather documents supporting the transactions pertaining to the advance payment of the legislator and on the conduct of stock examinations on SAOs with overages;	Partially Implemented. Profiling of accounts is being prioritized by the FOs. Coordination has been made; awaiting further instructions from NFA HO/NCR.
		b. Identify from the Deferred Credits subsidiary ledgers the warehouse	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		accountable officers and their overages incurred per physical inventory count per year and take note of those who retired or were separated from service; and	NFA is conducting thorough reconciliation of the unwithdrawn rice stocks paid in advance by other government agencies.
		c. Obtain information and guidance on the following:	
		c.1 Appropriate disposition of the advance payment made by the legislators since the stocks apparently have already been long withdrawn;	Partially Implemented. NFA NCR Batanes Provincial Unit (BPU) will still coordinate with NFA CO regarding the advance payment of the former legislator.
		c.2 Status of accountability of the warehouse accountable officers; and	Partially Implemented. FOs are instructed to fast track the processing and examination of accountabilities/ TOLA computation.
		c.3 Appropriate disposition of the long outstanding overages of retired/separated SAOs with or without final TOLA computation.	Partially Implemented. FOs are instructed to send demand letters to retired/separated SAOs.

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 139	Accumulated cash shortage in the total amount of P2.061 million was established on the cash and accounts of the designated Collecting Officer of NFA Abra PO for undeposited collections; thus, resulting in the loss of government funds.	We recommended that Management require the: a. Provincial Manager of Abra PO to file appropriate charges against the defaulting Accountable Officer (AO); and	Closed. A compromise agreement has been entered on November 7, 2017 per Memorandum coded 2017-LAD-LD-K-006. As of December 31, 2022, a total of P1.272 million was collected. In addition, cash shortage of P2.141 million was recorded in October 2019 as a result of reconciliation between Abra PO and NFA CO.
		b. HO Management constantly follow-up the filing of appropriate charges against the erring accountable officer.	Closed.
Page 157	The First-in, First-out (FIFO) policy on the issuance of stocks from the warehouses required in NFA SOP No. GM-WH07 dated January 10, 1995 was not strictly enforced resulting in aging, deterioration and higher carrying/maintenance costs of the stocks on hand.	We recommended that Management ensure that the FIFO policy is strictly observed to avoid overstocking, stock deterioration, additional carrying/maintenance costs and opportunity loss to NFA, and require the Provincial Operations Officer to thoroughly review and evaluate the warehouses' Pile Layout, Grains Situationer Reports and other data as	Closed. Stocks are at a low level, so the policy of FIFO is always observed.

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 198	<p>Marinduque PO shouldered all the losses on stock dispersal by sea amounting to P690,977 due to absence of provisions regarding tolerable limit on dispersal given to private-hauler contractors and truckers as provided in NFA SOP No. GM-DL03 dated January 1, 1991 and as amended by NFA SOP Amendment/Addendum No. GM-DL03.C dated May 31, 2000, hence, additional expenses on the part of NFA. On the other hand, in BPU, there was over recognition of dispersal losses because the gain in weight of stocks during dispersal from NCR source warehouse to imaginary warehouse was not considered in recording the dispersal losses at Batanes destination warehouse as weight gain was not covered by specific accounting treatment in the NFA SOPs, resulting in the overstatement of operating expense by P72,633 and understatement of income by the same amount in CYs 2014-2016.</p>	<p>basis in the identification of specific pile for withdrawal of stocks prior to recommending approval to the Provincial Manager of the AI.</p> <p>We recommend that BPU Management revisit the NFA SOPs on Dispersal Operations specifically on stock dispersal, and coordinate with the NCR RO for proper accounting treatment over recognition of dispersal/weight losses, as well as dispersal/weight gain without specific accounting recognition in the NFA SOPs.</p>	<p>Fully Implemented.</p> <p>NFA BPU has already coordinated with NFA NCR regarding the issue where NFA NCR is currently conducting an evaluation/assessment of the dispersal operations for proper recognition of dispersal losses.</p>
Page 201	<p>The quantified losses of stocks due to theft on three instances at the NCR warehouses from</p>	<p>We recommended that Management revisit the existing policy on New Computerized Stock</p>	<p>Fully Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	CYs 2001 to 2013 were not deducted in the SERs of SAOs due to the absence of specific guidelines, resulting in erroneous SERs and computation of TOLA. Also, the TOLA system's computation of factors affecting grains storage might no longer address the current conditions in the warehouses that could result in inappropriate computation of TOLA.	Examination and TOLA Computation, in particular, the appropriate treatment of losses due to theft in the SER and computation on factors affecting grains storage embedded in the TOLA system and identify the needed amendments in the policy to ensure the accurate computation of TOLA.	NFA NCR had elevated the matter to the IASD CO through Memorandum coded NCR-ORM-RF-G-02 dated July 4, 2017.
Page 216	The difference in CDF balance between NFA's books of accounts and bank statement had increased by P4.145 million or 450.54 per cent, from P0.920 million as of December 31, 2015 to P5.065 million as of December 31, 2016, thus casting doubt on the reliability of the year-end balance of the Other Payables-CDF account of P161.154 million.	We recommended that Management instruct the ASD to exert extra effort to reconcile the CDF's book balance with the balance per bank to come up with the correct balance.	Closed. The transactions of the CDF were temporarily suspended effective August 2019 by the NFA Administrator pending review of its activities and projects.
Page 217	No complete set of separate books of accounts were maintained for CDF contrary to the provisions of NFA SOP No. TS-ES22 dated February 14, 2008, thus, detailed transactions involving sources and uses of funds balance cannot be easily determined/monitored.	We recommended that Management require the CDF Committee Secretariat to strictly adhere to the provisions of NFA SOP No. TS-ES22 on the maintenance of a complete set of books for CDF in order to regularly monitor the receipts and utilization of the fund and to facilitate determination of its balance as at any given period.	Closed. The transactions of the CDF were temporarily suspended effective August 2019 by the NFA Administrator pending review of its activities and projects.

Reference	Observations	Recommendations	Actions Taken/ Comments
2015 AAR Page 147	<p>The palay procured by Nueva Ecija PO of about 32,695 bags to 49,507 bags and by Aurora PO of still undetermined quantity from October to December 2015 classified and paid as good quality were confirmed as storm damaged palay (SDP) based on the initial result of the quality analysis of palay samples conducted by the Regional Standard Quality Assurance Office (RSQAO) and joint effort of TRSD in HO and the Central Luzon Regional Office (CLRO) QAO. Thus, the possibility that the Agency had paid higher amount than the actual/true value of the palay procured cannot be discounted.</p>	<p>We recommended that Management uphold an impartial investigation that will lead to the filing of administrative/criminal charges against those erring Nueva Ecija PO officials and employees identified to have participated and contributed in the commission of the anomaly in palay procurement, including those individuals or groups from the private sector who possibly connived in committing such crime.</p>	<p>Closed. Administrative case filed; 90 days preventive suspension from March 16, 2016 to June 13, 2016; Also, Pre-Hearing started in August 2016.</p>
Page 163	<p>The objective of providing marketing and post-harvest facilities to farmer-members of Irrigators' Associations (IAs) in Regions VIII and X under the fourth component of Irrigated Rice Production Enhancement Project (IRPEP) was not fully attained due to: (a) failure to repair the two warehouses in Region X; (b) underutilization of Farmers' Kiosks (FKs) in the absence or slow internet connection in the location of FKs, lack of receptiveness of farmers toward the system and distant location of FKs to the farmers; and (c) only</p>	<p>We recommended that Management submit Liquidation Report for Audit Team's validation and issuance of Credit Notice as required by the DA and return the remaining project fund balance of P2.258 million to the DA considering that the budget for IRPEP implementation pertained only to CYs 2011 to 2015.</p>	<p>Closed. NS on IRPEP was settled in Northern Leyte.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 168	<p>69.51 per cent of the targeted 3,641 participants from Communal Irrigators' Associations (CIAs) were trained on Collective Marketing System (CMS), thus depriving the intended farmer-beneficiaries of the benefits to be derived from the project.</p> <p>Expenses amounting to P181,824 incurred for the trainings and seminars conducted in CY 2015 were not adequately supported, contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001, thus the propriety/validity of the expenses could not be fully established. In addition, the non-monitoring of procured IT equipment and furniture and fixtures costing P1.018 million during the implementation of IRPEP is not in consonance with Section 1, Item No. 3 of COA Circular No. 94-013, which rendered the accountability and existence of these properties doubtful.</p>	<p>We recommended that Management Instruct the ASD, Regions VIII and X to account all the properties procured under IRPEP including the determination of their location and status to facilitate the eventual transfer of these properties to NFA.</p>	<p>Closed.</p> <p>Recommendation no longer disclosed in the MLs on the NFA Regions concerned.</p>
Page 172	<p>Honoraria in the total amount of P1.090 million were granted to CDF Secretariat/Committee members in CY 2015 despite the absence of documents showing the specific activities undertaken by them, in addition to their regular functions, contrary to the provisions of DBM Budget Circular No. 2007-2 dated</p>	<p>We recommended that Management revisit the provisions of NFA SOP No. TS-ES22 on the grant of honoraria, particularly the rate and documentation of claims to prove entitlement in relation to the provisions of DBM Budget Circular No. 2007-2 and COA Circular No. 2012-001.</p>	<p>Fully Implemented.</p> <p>Management stopped the payment of Honoraria for CDF Committee and Secretariat in CY 2019.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 174	<p>October 1, 2007. Thus, the propriety of the claims for honoraria could not be fully established.</p> <p>Lack of clear guidelines on the extension of grants to proponents in excess of P0.500 million may result in inconsistent application in their approval. In addition, the absence of provisions in the MOA executed with grantees particularly stating the procedures and rules on the liquidation of the funds may result in delayed liquidation/non-liquidation thereof.</p>	<p>We recommended that Management ensure that the procedures as well as the documentary requirements in the liquidation of inter-agency fund transfers/grants provided in COA Circular No. 2012-001 and other existing laws, rules and regulations are complied with by the grantees.</p>	<p>Closed.</p> <p>CDF Committee did not convene since CY 2019 due to new mandate of NFA under RA No. 11203.</p>
<p><u>2013 AAR</u> Page 93</p>	<p>The causes of the total variance of 449,696.58 nkgs., with equivalent value of P11.170 million, between the stocks (rice) received by six POs of NFA RO VIII of 28,213,880.47 nkgs. as reported in the stock records and accounting records of 28,663,577.05 nkgs. remained not detected due to non-preparation of the Monthly Reconciliation Statement of the Stock Reports against the Stock Book and Physical Inventory Report, rendering the quantities reported unreliable.</p>	<p>We recommended that Management:</p> <ol style="list-style-type: none"> a. Require the Stock Examination Committee of the Provincial Office to immediately conduct the examination on the concerned Stocks and Grains Operation Officer (SGOOs)/WSs to establish accountability for the variances; and b. Include in the policies on dispersal, the regular reconciliation between records of the issuing and receiving offices and prepare a quarterly reconciliation report for submission to the Provincial Manager so that solutions to problems can be timely instituted to ensure that balances reported are accurate. 	<p>Fully Implemented.</p> <p>A reconciliation was already made as far as this variance is concerned.</p> <p>Fully Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Page 118	Despite the issuance of billing statements, a total of 37,765 bags of rice worth P50.983 million out of the 225,136 bags released by Region VIII to various government agencies and private institutions for relief operations to the victims of super Typhoon Yolanda remained unpaid as of year-end. Moreover, there were rice releases not supported with MOA, Deed of Undertaking and Purchase Orders, while a total of 800 bags of rice purchased by two LGUs from Eastern Samar remained not withdrawn as of December 31, 2013.	We recommended that Management request the concerned LGUs to coordinate with DSWD for the immediate settlement of their unpaid accounts, and enforce from the concerned national government agencies payment of their obligations to NFA.	Closed. Unpaid receivables were already acknowledged by the Office of the Civil Defense (OCD).

**DETAILS AND STATUS OF UNSETTLED AUDIT SUSPENSIONS,
DISALLOWANCES AND CHARGES
As of December 31, 2022**

I. Notices of Suspension (NSs)

NS No. /Date	Nature of Suspension	Person(s) Responsible	Amount	Status
Central Office (CO)			P3,428,147	
2019-002 (2018)/ 09/30/2019	Payment of Extraordinary and Miscellaneous Expenses (EME)	Various NFA personnel	89,405	Documents submitted for evaluation by the Audit Team.
2018-001 (2017)/ 01/17/2019	Liquidation of fund transfer from Department of Agriculture - Bureau of Agriculture Research (DA – BAR)	-do-	327,382	-do-
2018-001 (2015)/ 10/23/2018	Fund transfer to Bureau of Soils and Water Management (BSWM) for the NFA Corn Development Fund projects	Former Administrator, et al.	3,011,360	Partially submitted documents evaluated. BSWM refunded the unexpended balance of the funds.
Region II			12,953,610	
Cagayan Branch Office (BO)				
2022-001(2021)/ 07/28/2022	Unremitted mandatory premiums and 13 th month pay for handling services	Handling services contractor, et al.	128,462	Documents submitted for evaluation by the Audit Team.
2022-002(2021)/ 07/28/2022	-do-	-do-	293,070	-do-
2022-003(2021)/ 07/28/2022	-do-	-do-	22,833	-do-
2022-004(2021)/ 07/28/2022	-do-	-do-	15,964	-do-
2022-005(2021)/ 07/28/2022	-do-	-do-	217,198	-do-
2022-006(2021)/ 07/28/2022	-do-	-do-	10,562	-do-
2022-007(2021) 07/28/2022	-do-	-do-	1,078,267	-do-
2022-008(2021)/ 07/28/2022	-do-	-do-	1,078,267	-do-
2022-009(2021)/ 07/28/2022	-do-	-do-	783,094	-do-
2022-010(2021)/ 07/28/2022	-do-	-do-	364,423	-do-
2022-011(2021)/ 07/28/2022	-do-	-do-	149,986	-do-
2022-012(2021)/ 07/28/2022	-do-	-do-	905,325	-do-
2022-013(2021)/ 07/28/2022	-do-	-do-	132,171	-do-
2022-014(2021)/ 07/28/2022	-do-	-do-	116,480	-do-
2022-015(2021)/ 07/28/2022	-do-	-do-	726,473	-do-
2022-016(2021)/ 07/28/2022	Provision of 10% profit margin in the computation of 2020 Approved Budget for the Contract (ABC) without legal basis	Various NFA personnel	1,596,117	-do-
2022-017(2021)/ 07/28/2022	Provision of 15% profit margin in the computation of 2021 ABC without legal basis	-do-	1,408,895	-do-

NS No. /Date	Nature of Suspension	Person(s) Responsible	Amount	Status
2022-018(2021)/ 07/28/2022	Provision of 10% profit margin in the computation of 2020 ABC of handling services without legal basis	Various NFA personnel	205,468	Documents submitted for evaluation by the Audit Team.
2022-019(2021)/ 07/28/2022	Provision of 15% profit margin in the computation of 2021 ABC of handling services without legal basis	-do-	299,045	-do-
<u>Nueva Vizcaya BO</u>				
2022-001(2020/2021)/ 07/28/2022	Unremitted mandatory premiums and 13th month pay for handling services	Handling services contractor and various NFA personnel	149,603	The total amount of NS was P163,431 with settlement of P13,828.
2022-002 (2021)/ 07/28/2022	-do-	-do-	23,990	Unsettled.
2022-003(2020/2021)/ 07/28/2022	-do-	-do-	755,032	-do-
2022-004 (2021)/ 07/28/2022	-do-	-do-	1,096,046	-do-
2022-005 (2021)/ 07/28/2022	-do-	-do-	237,842	-do-
2022-006 (2020)/ 08/04/2022	-do-	-do-	77,346	-do-
2022-007 (2021)/ 08/04/2022	-do-	-do-	12,804	-do-
2022-008(2020/2021)/ 08/04/2022	-do-	-do-	330,364	-do-
2022-009(2020/2021)/ 08/04/2022	-do-	-do-	348,290	-do-
2022-010 (2021)/ 08/04/2022	-do-	-do-	390,193	-do-
<u>Region IV-B</u>			358,393	
<u>Occidental Mindoro BO</u>				
2018-001-101- (16&17)/ 10/15/2018	Group Hospitalization Insurance Program (GHIP)	Various NFA personnel	271,195	With partial submission of documents.
2018-001-(16&17)/ 10/15/2018	-do-	-do-	87,198	Unsettled.
<u>Region VIII</u>			12,824,103	
<u>Regional Office (RO)</u>				
2015-10-07(2015)/ 10/13/2015	Purchase of airline ticket	Various NFA personnel	68,633	Unsettled.
2016-09-012/ 09/27/2016	Travelling expenses	-do-	14,445	-do-
2016-09-015/ 10/24/2016	Purchase of office supplies	-do-	20,443	-do-
2019-01-01-001/ 01/15/2019	-do-	-do-	381,180	-do-
<u>Northern Leyte BO</u>				
2019-09-001/ 09/13/2019	Payment of 7% and final billing of the project Construction of 100TCC Warehouse with WSII office (warehouse 2) at NFA Alangalang	Various NFA personnel	11,571,615	Unsettled.
2016-06-009(2016)/ 06/01/2016	Travelling expenses	-do-	4,050	-do-
2017-10-005(2016)/ 10/23/2017	Payment of 100% billing for concreting of driveway approach at entrance	-do-	89,148	-do-

NS No. /Date	Nature of Suspension	Person(s) Responsible	Amount	Status
2017-10-006(2016)/ 10/24/2017	First and Final payment for repair / rehabilitation of powerhouse at NFA, Palo, Leyte	Various NFA personnel	456,743	Unsettled.
<u>Biliran BO</u>				
2017-04-002/ 06/08/2017	Rehabilitation of NFA roofing and building	Various NFA personnel	156,959	Unsettled.
2016-07-010/ 07/14/2016	Reimbursement of supplies	-do-	2,400	-do-
2016-07-009/ 07/14/2016	Labor expenses	-do-	1,200	-do-
2016-06-006/ 06/21/2016	Reimbursement of supplies	-do-	2,400	-do-
2015-05-001/ 05/17/2016	Travelling expenses	-do-	1,280	-do-
<u>Eastern Samar BO</u>				
2019-001 (18)/ 12/03/2019	Cash advance for Team Building	Various NFA personnel	15,600	Unsettled.
2019-018/ 12/03/2019	Cash advance for GAD Seminar	-do-	8,570	-do-
<u>Northern Samar BO</u>				
2018-001/ 10/19/2018	Guard house repair	Various NFA personnel	9,844	Unsettled.
2018-002/ 10/19/2018	LCD projector repair	-do-	6,094	-do-
2018-004/ 10/19/2018	Guard house repair	-do-	7,312	-do-
2018-010/ 10/19/2018	Aircon repair	-do-	6,187	-do-
<u>Region IX</u>			61,785	
<u>Zamboanga City BO</u>				
11-011-101-(10)/ 02/09/2011	Payment of salaries and wages	Various NFA personnel	61,785	Unsettled.
Total			P 29,626,038	

II. Notices of Disallowance (NDs)

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
CO			P 18,844,119	
10-02-101/ 05/17/2010	Payment of salaries and allowances	DA; and various NFA personnel	183,604	With CGS Cluster 5 Decision No. 2018-041 with modification and this decision is final.
12-02-501 (11 & 12)/ 11/07/2012	Payment of honoraria CYs 2011-2012	Administrator and various NFA personnel	507,998	With CGS Cluster 5 Decision No. 2015-017, denying the Appeal.
14-01-501 (2012)/ 02/03/2014	Payment of Food and Grocery Incentives (FGI) Calendar Year (CY) 2012	Deputy Administrator and various NFA personnel	13,275,000	Under Appeal with the CP. With partial settlement of P4,524,748.04 as of 12/31/2022 treated as Trust Liability.
18-004(11/12)/ 08/23/2018	Payment of Honoraria CYs 2011-2012	Administrator and various NFA personnel	25,633	Partially settled; With CGS Cluster 5 Decision No. 2015-004.
18-002 (2012- 2015)/ 01/17/2018	Reimbursement and liquidation of expenses under Irrigated Rice Production Enhancement Project (IRPEP)	Various NFA personnel	10,634	With Notice of Finality of Decision (NFD) No. 18-001(2012-2015).

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
22-001(2020)/ 03/16/2022	Payment of GHIP/ Group Accident Insurance Program (GAIP) / Executive Health Care Program (EHCP) for CY 2020	Insurance provider, et al.	1,561,000	With Appeal.
18-003 (2016)/ 07/05/2018	Payment of GHIP, GAIP and EHCP	Various NFA personnel	2,373,280	With Appeal. With partial settlement in the amount of P893,969.
18-001 (14)/ 01/16/2018	Reimbursement of meal expenses	-do-	417,771	With Appeal.
17-002(2015-2016)/ 11/29/2017	Travelling expenses of NFA-Employee Association (EA)	-do-	489,199	-do-
National Capital Region (NCR)			30,691,941	
RO				
2015-03-501(2010) NCR/CPO/ 01/27/2015	Payment of FGI CY 2010	Various NFA personnel	2,280,000	Partially settled.
2015-02-501(2011) NCR/CPO/ 01/27/2015	Payment of FGI CY 2011	-do-	2,495,000	-do-
2014-01-501(12)/ 01/24/2014	Payment of FGI CY 2012	-do-	2,335,000	-do-
2018-01-2016/ 10/26/2018	GHIP and GAIP	-do-	1,678,013	With Petition for review on the CGAS Cluster V Decision No. 2020-025.
2022-003 (2021)/ 10/12/2022	Rice allowance	-do-	50,954	Unsettled.
2022-002 (2021)/ 10/12/2022	Registration of service vehicles	-do-	15,995	-do-
2022-001 (2021)/ 10/06/2022	TA	-do-	175,758	With Appeal Memorandum.
Central District BO (CDBO)				
2016-02 (2008)/ 02/26/2016	Payment of FGI CY 2008	Various NFA personnel	1,310,000	Partially settled; Appeal under review.
2016-01-(2010)/ 02/26/2016	Payment of FGI CY 2010	-do-	1,400,000	Partially settled; A Petition for Review has been filed.
2015-01-501(2010) BPU/ 01/28/2015	-do-	-do-	120,000	Partially settled; with CGS 5 Decision No 2016-004.
2014-004 (2008)/ 12/18/2014	Payment of FGI CY 2008	-do-	1,620,000	Partially settled; with CGS 5 Decision No 2015-018.
2014-003 (2011)/ 12/18/2014	Payment of FGI CY 2011	-do-	1,770,000	-do-
2014-002 (2010)/ 12/18/2014	Payment of FGI CY 2010	-do-	1,820,000	-do-
2019-002/ 08/14/2019	Travelling expenses	-do-	26,580	With NFD.
14-01-788-03-(12)/ 02/06/2014	Payment of FGI CY 2012	-do-	214,523	Partially settled. SC En Banc Notice of Finality Memo - "Denied with finality" decision.
2022-01 (2018)/ 10/24/2022	Excess in rice allowance CY 2018	-do-	1,793,706	Unsettled; with CGAS-5 Decision No. 2023-008.
2022-02 (2019)/ 10/24/2022	Excess in rice allowance CY 2019	-do-	1,681,089	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
2022-03 (2018)/ 11/08/2022	Excess in rice allowance CY 2018	Various NFA personnel	928,563	With Appeal Memorandum.
2022-04 (2019)/ 11/08/2022	Excess in rice allowance CY 2019	-do-	866,041	-do-
2022-05 (2018)/ 11/14/2022	Excess in rice allowance CY 2018	-do-	591,554	-do-
2022-06 (2019)/ 11/14/2022	Excess in rice allowance CY 2019	-do-	518,213	-do-
2014-001 (2012)/ 02/20/2014	Payment of FGI CY 2012	-do-	1,680,000	Partially settled; With Appeal Memorandum.
2019-001/ 08/14/2019	Travelling expenses	-do-	13,783	With Appeal Memorandum.
2021-001(2019)/ 01/19/2021	-do-	-do-	81,878	-do-
East District BO (EDBO)				
14-01-001 (2012)/ 12/14/2014	Payment of FGI CY 2012	-do-	312,706	NFD in the amount of P1.360 million with partial payment made amounting to P1,047,294.
2014-001-(2012)/ 05/05/2014	Payment of FGI CY 2011	-do-	717,000	NFD in the amount of P1.1 million with partial payment made amounting to P383,000.
14-01-002 (2010)/ 12/18/2014	Payment of FGI CY 2010	-do-	1,340,000	Partially Settled: With NFDs and COA Orders of Execution (COEs). Collections were made from accountable employees/officers who have retired/ availed of the Separation Incentive Package (SIP).
14-01-003 (2011)/ 12/18/2014	-do-	-do-	1,460,000	-do-
14-01-004 (2009)/ 12/18/2014	Payment of FGI CY 2011	-do-	1,380,000	-do-
2022-01 (2021)/ 10/26/2022	Rice allowance	-do-	15,585	-do-
Region I			10,475,387	
RO				
14-001-106(2012)/ 02/10/2014	Payment of FGI CY 2012	Various NFA personnel	610,000	With Petition for Certiorari at Supreme Court (SC)
19-006-GOF-(19)/ 12/09/2019	CY 2019 GHIP	-do-	5,680	Unsettled, for issuance of COE.
20-001-GOF-(20)/ 10/01/2020	Payment of GAIP CY 2020	-do-	334,960	With CGS Cluster V Decision No. 2021-016.
15-003-106 (2014)/ 08/10/2015	Result of technical evaluation	-do-	69,857	Unsettled.
16-001-106 (2015)/ 01/07/2016	Payment of CY 2015 GHIP	Insurance company	536,005	-do-
16-003-106 (2015)/ 05/27/2016	Result of technical evaluation	Construction company	146,495	-do-
17-003-106 (2016)/ 01/25/2017	CY 2016 GHIP premiums	Various NFA personnel	47,010	Under Petition for Review with the Commission Proper (CP).
17-005-106 (2016)/ 5/25/2019	Familiarization allowance	-do-	5,600	Under Appeal.
18-001-106 (2017)/ 01/08/2018	CY 2017 GHIP premiums	-do-	71,625	Unsettled.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
18-001-GOF (18)/ 05/16/2018	CY 2018 GHIP premiums	Various NFA personnel	350,700	With Petition for Review with the CP.
18-002-GOF (18)/ 10/08/2018	-do-	-do-	6,320	Unsettled.
19-004-GOF-(18)/ 05/22/2019	Payment of mechanical dryers	-do-	1,919,192	-do-
19-005-GOF-(19)/ 05/08/2019	Payment of GHIP CY 2019	-do-	425,880	-do-
Eastern Pangasinan BO				
20-001-GOF-(19) to 20-020-GOF-(20)	Excess rice allowance	Various NFA personnel	126,608	Unsettled.
2014-001(2012)/ 02/04/2014	-do-	-do-	800,000	Under Appeal.
2014-001(2012)/ 2/05/2014	-do-	-do-	760,000	Under Petition for Certiorari at the SC.
2017-001(2016)/ 03/25/2017	CY 2016 GHIP premiums	-do-	68,518	-do-
2017-001(2016)/ 03/25/2017	-do-	-do-	83,458	-do-
20-001-GOF-(19) to 20-020-GOF-(20)	Payment of rice allowance	-do-	186,424	-do-
La Union BO				
14-001-106(2012)/ 02/10/2014	Payment of FGI CY 2012	-do-	620,000	NFD No. 2019-215.
BPO-14-01-(2013)/ 01/24/2014	-do-	-do-	480,000	With Petition for Review.
2017-002-GOF-(16)/ 06/07/2017	CNAI CY 2016	Various NFA personnel	5,600	COE No. 2018-07-096.
2011-001-RSFP-(10)/ 07/22/2011	Liquidated damages on the delivery of certified seeds	Multi-Purpose Cooperative	11,383	Issued COE.
17-001-106(2016)/ 02/10/2017	CY 2016 GHIP Premiums	-do-	81,996	With Petition for Review.
18-001-106(2017)/ 01/09/2018	CY 2017 GHIP Premiums	-do-	97,979	-do-
2021-01(19)/ 04/ 20/2021	Excess of rice allowance	-do-	34,660	-do-
2017-001-CF-(2016)/ 5/11/2017	Payment of GHIP CY 2016	Insurance company	44,069	With COA CAR Decision No. 2019-17.
2018-001-GOF-(17)/ 04/10/ 2018	GHIP CY 2017	-do-	55,089	With CGS Cluster 5 Decision No. 2021-009 .
20-001-GOF-(19)/ 11/12/2020	Excess of rice allowance	Various NFA personnel	7,450	CGS Cluster V Decision No. 2021-033 affirming the disallowance.
20-002-GOF-(19)/ 11/12/2020	-do-	-do-	10,762	-do-
20-003-GOF-(19)/ 11/12/ 2020	-do-	-do-	19,840	-do-
20-004-GOF-(19)/ 11/12/ 2020	-do-	-do-	6,087	-do-
20-005-GOF-(19)/ 11/12/ 2020	-do-	-do-	6,763	-do-
20-006-GOF-(19)/ 11/12/ 2020	-do-	-do-	6,123	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
20-007-GOF-(19)/ 11/12/2020	Excess of rice allowance	Various NFA personnel	6,803	CGS Cluster V Decision No. 2021-033 affirming the disallowance.
20-008-GOF-(19)/ 11/12/2020	-do-	-do-	6,123	-do-
20-009-GOF-(19)/ 11/12/2020	-do-	-do-	6,803	-do-
20-010-GOF-(19)/ 11/12/2020	-do-	-do-	6,123	-do-
20-011-GOF-(19)/ 11/12/2020	-do-	-do-	6,803	-do-
20-012-GOF-(19)/ 11/12/2020	-do-	-do-	6,175	-do-
20-013-GOF-(19)/ 11/12/2020	-do-	-do-	6,861	-do-
20-014-GOF-(19)/ 11/12/2020	-do-	-do-	6,175	-do-
20-015-GOF-(19)/ 11/12/2020	-do-	-do-	6,861	-do-
20-016-GOF-(19)/ 11/12/2020	-do-	-do-	6,175	-do-
20-017-GOF-(19)/ 11/12/2020	-do-	-do-	6,861	-do-
20-018-GOF-(19)/ 11/12/2020	-do-	-do-	18,524	-do-
20-019-GOF-(19)/ 11/12/2020	-do-	-do-	19,897	-do-
20-020-GOF-(20)/ 11/12/2020	-do-	-do-	12,686	-do-
20-021-GOF-(20)/ 11/12/2020	-do-	-do-	15,223	-do-
20-022-GOF-(20)/ 11/12/2020	-do-	-do-	5,024	-do-
20-023-GOF-(20)/ 11/12/2020	-do-	-do-	6,460	-do-
20-024-GOF-(20)/ 11/12/2020	-do-	-do-	5,640	-do-
20-025-GOF-(20)/ 11/12/2020	-do-	-do-	7,251	-do-
20-026-GOF-(20)/ 11/12/2020	-do-	-do-	5,983	-do-
20-027-GOF-(20)/ 11/12/2020	-do-	-do-	6,921	-do-
20-028-GOF-(20)/ 11/12/2020	-do-	-do-	5,463	-do-
20-029-GOF-(20)/ 11/12/2020	-do-	-do-	7,024	-do-
20-030-GOF-(20)/ 11/12/2020	-do-	-do-	5,386	-do-
20-031-GOF-(20)/ 11/12/2020	-do-	-do-	6,925	-do-
20-032-GOF-(20)/ 11/12/2020	-do-	-do-	5,308	-do-
20-033-GOF-(20)/ 11/12/2020	-do-	-do-	6,824	-do-
20-034-GOF-(20)/ 11/12/2020	-do-	-do-	5,571	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
20-035-GOF-(20)/ 11/12/2020	Excess of rice allowance	Various NFA personnel	6,367	CGS Cluster V Decision No. 2021-033 affirming the disallowance.
Ilocos Norte BO				
20-22 to 29-GOF (20)	Travel allowance	Various NFA personnel	63,750	Under appeal.
14-001-106 (2012)/ 02/10/2014	Payment of FGI CY 2012	-do-	720,000	With Petition for Certiorari with the SC.
14-001-106 (2012)/ 02/10/2014	-do-	-do-	580,000	Under Petition for Certiorari at the SC
14-001-106 (2012)/ 02/10/2014	-do-	-do-	260,000	With NFD No. 2019-208. Under Petition for Certiorari at the SC.
17-02-GOE(2016)/ 05/18/2017	Familiarization allowance	-do-	5,600	Under petition for review with the CP.
20-001 -010-GOF (19) and 20-011-GOF(20) - 20-019GOF (20)/ 11/10/2020	Excessive rice allowances	-do-	61,715	With CGS Cluster V Decision No. 2021-027.
20-001 to 019-GOF- (19) to GOF(20)/ 11/10/2020	-do-	-do-	105,150	With CGS Cluster V Decision No. 2021-032.
17-04-GOE (17)/ 12/04/2017	Payment of GHIP	-do-	21,316	With CGS Cluster Decision No. 2019-009.
17-001-GOE-(16)/ 04/17/2017	-do-	-do-	59,147	Under appeal.
17-002-GOE/ 12/6/2017	-do-	-do-	71,442	-do-
20-01 to 11-GOF (19) 20-12 to 21 GOF (19)	Excess of rice allowance	-do-	144,246	-do-
17-01-GOE(2016)/ 03/13/2017	Payment of GHIP	-do-	11,182	-do-
17-01-GOE(2016)/ 03/25/2017	-do-	-do-	44,072	Under petition for review with the CP.
17-04-GOE-(17)/ 12/04/2017	-do-	-do-	55,794	-do-
17-03-GOE/ 07/03/2017	Familiarization allowance	-do-	5,600	-do-
Region II			4,040,203	
RO				
2014-01-101(12)/ 04/10/2014	Payment of FGI CY 2012	Various NFA personnel	165,517	SC issued a decision dismissing the Petition for Certiorari and affirming the COA Decision.
2018-001 (2018)/ 05/29/2015	Transportation Allowance (TA)	-do-	27,432	CGAS Cluster V issued Decision No. 2022-036 denying the appeal and affirming the ND
2018-001 (2018)/ 05/29/2015	-do-	-do-	85,386	-do-
2018-002 (2018)/ 08/31/2018	TA	-do-	17,000	Unsettled.
2018-009 (2017)/ 05/29/2018	Payment of GHIP for CYs 2016 and 2017	-do-	1,558,252	With Appeal Memorandum.
Cagayan BO				
2014-01-101(12)/ 03/31/2014	Payment of FGI for CY 2012	Various NFA personnel	163,484	NFD No. 2019-131 was issued by the CP. Partially settled.
2014-01-101	-do-	-do-	369,179	NFD No. 2020-400 was issued by the CP. Partially settled.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
2021-01-GOF (2020)/ 06/07/2021	Payment of fuel , Oil and lubricants expenses	Various NFA personnel and supplier	6,597	COE was also issued by the Cluster Director (CD).
2021-02-GOF (2020)/ 06/07/2021	-do-	-do-	1,619	-do-
2021-03-GOF (2020)/ 06/07/2021	-do-	-do-	1,780	-do-
2014-01 101/ 03/31/2014	Payment of FGI for CY 2012	-do-	380,148	Partially settled.
2022-01-GOF (2020)/ 01/03/2022	Excess payment of handling services	Various NFA personnel and handling services contractor	5,035	Appeal was filed.
2022-02-GOF (2020)/ 01/03/2022	-do-	-do-	67,388	-do-
2022-03-GOF (2020)/ 01/03/2022	-do-	-do-	83,883	-do-
2022-04-GOF (2020)/ 01/03/2022	-do-	-do-	50,910	-do-
2022-05-GOF (2020)/ 01/03/2022	-do-	-do-	128,220	-do-
2022-06-GOF (2020)/ 01/03/2022	-do-	-do-	1,551	-do-
2022-07-GOF (2020)/ 01/03/2022	-do-	-do-	55,037	-do-
2022-08-GOF (2020)/ 01/03/2022	-do-	-do-	108,397	-do-
2022-09-GOF (2020)/ 01/03/2022	-do-	-do-	14,486	-do-
<u>Nueva Vizcaya BO</u>				
2014-01-101(12)/ 04/10/2014	Payment of FGI CY 2012	Various NFA personnel	49,459	Partially settled; With COA Decision No. 2020-181, petition for review was denied and affirmed the ND.
2014-01-101(12)/ 04/10/2014	-do-	-do-	103,000	Partially settled; With COA Decision No. 2020-125, petition for review was denied and affirmed the ND.
2021-001(2021)/ 11/16/2021	Hazard pay for CY 2020	Job Order Personnel	36,500	CGAS Cluster V Decision No. 2022-029 denied the appeal and affirmed the ND.
2021-002(2021)/ 11/16/2021	-do-	-do-	23,000	-do-
2014-01-101/ 03/31/2014	Payment of FGI	Various NFA personnel	18,250	Management filed an appeal to the CP. Partially settled.
<u>Isabela BO</u>				
2014-01-101(12)/ 04/10/2014	Payment of FGI CY 2012	Various NFA personnel	484,693	Partially settled; Under Petition for Certiorari at the SC
21-001-101 (2020)/ 11/18/2021	Hazard pay for CY 2020	-do-	34,000	Unsettled balance.
Region III			9,677,218	
<u>RO</u>				
2014-001(2012)/ 06/30/2014	Payment of FGI CY 2012	Various NFA personnel	780,153	Under Appeal.
16-001-CPF-(15)/ 07/11/2016	Payment for procurement of palay	-do-	85,151	With petition for review.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
16-002-CPF-(15)/ 07/11/2016	Payment for procurement of palay	Various NFA personnel	121,686	With petition for review.
16-003-CPF-(15)/ 07/11/2016	-do-	-do-	155,228	-do-
<u>Pampanga BO</u>				
PBO 2014-001(2012)/ 05/16/2014	Payment of FGI CY 2012	Various NFA personnel	540,000	With Appeal.
ZPO 2014-001(2012)/ 05/16/2014	-do-	-do-	640,000	-do-
PPO 2014-001(2012)/ 05/16/2014	-do-	-do-	820,000	With consolidated petition for review.
<u>Nueva Ecija BO</u>				
2014-001(2012) (Nueva Ecija)/ 06/30/2014	Payment of FGI CY 2012	Various NFA personnel	2,180,000	Under Appeal.
2014-001 (2012) (Aurora)/ 06/30/2014	-do-	-do-	660,000	-do-
<u>Tarlac BO</u>				
2014-001(2012)/ 05/16/2014	Payment of FGI CY 2012	Various NFA personnel	1,040,000	With consolidated petition for review.
2014-002(2012)/ 07/07/2014	-do-	-do-	1,040,000	-do-
<u>Bulacan BO</u>				
2014-001(2-12)/ 06/27/2014	Payment of FGI CY 2012	Various NFA personnel	1,615,000	With consolidated petition for review.
<u>Region IV-A</u>			21,072,511	
<u>RO</u>				
2011-01-(2010)/ 10/12/2011	Payment of FGI CY 2010	Various NFA personnel	179,500	Demand letters were sent to the resigned/retired employees.
2012-01-(2011)/ 05/07/2012	Payment of FGI CY 2011	-do-	760,000	Under Appeal.
2013-01-(2012)/ 04/12/2013	Payment of FGI CY 2012	-do-	384,000	With Petition for Certiorari filed with the SC.
<u>Laguna BO</u>				
2011-005 (2010)/ 07/24/2011	Payment of FGI CY 2010	Various NFA personnel	700,000	With NFD No. 2019-171.
2011-001 (2009)/ 07/24/2011	Payment of FGI CY 2009	-do-	680,000	-do-
2013-003 (2012)/ 08/29/2013	Payment of FGI CY 2012	-do-	760,000	With NFD No. 2020-007.
2012-01-101(2011)/ 07/24/2012	Payment of FGI CY 2011	-do-	740,000	With NFD No. 2022-106.
2013-005(12)/ 08/29/2013	Payment of FGI CY 2012	-do-	360,000	Under Appeal.
14-001-101(09)/ 09/10/2014	Payment of FGI CY 2009	-do-	400,000	Under evaluation by the Claims and Adjudication Office, Commission Proper Adjudication and Secretariat Support Services Sector.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
14-002-101(10)/ 09/10/2014	Payment of FGI CY 2010	Various NFA personnel	420,000	Under evaluation by the Claims and Adjudication Office, Commission Proper Adjudication and Secretariat Support Services Sector.
2015-001 (2008)/ 12/14/2015	Payment of FGI CY 2008	-do-	425,000	-do-
2015-002 (2011)/ 12/14/2015	Payment of FGI CY 2011	-do-	380,000	-do-
Batangas BO				
2010-01 (2008)/ 01/7/2010	Payment of FGI CY 2008	Various NFA personnel	490,000	Outstanding balance as of December 31, 2021 was from retired and deceased employees.
2013-002 (2012)/ 04/12/2013	Payment of FGI CY 2012	-do-	718,500	With NFD No. 2020-400 issued by the Office of the Commission Secretariat. Partially settled.
2015-001 (2010)/ 08/25/2015	Payment of FGI CY 2010	-do-	1,160,000	With NFD No. 2022-335 issued by the CP.
2015-002 (2011)/ 08/25/2015	-do-	-do-	1,160,000	-do-
09-002-101 (08)	Payment of FGI CY 2008	-do-	375,000	Under Appeal.
12-001-016-101(09)	Payment of FGI CY 2009	-do-	320,000	-do-
12-017-101 (10)	Payment of FGI CY 2010	-do-	420,000	-do-
13-001-GOF(12)	Payment of FGI CY 2012	-do-	420,000	-do-
2020-001-GOF-(2019)	Payment of Collective Negotiation Agreement (CNA) CY 2019	-do-	521,592	With Petition for review filed before the CP.
2008-022-101 (04)	Cost of Living Allowance (COLA) differential	-do-	740,870	Under Appeal.
2009-002-101(06)	-do-	-do-	4,116,049	Under Appeal.
Quezon BO				
11-001-101-(10)/ 05/25/2011	Payment of FGI CY 2010	Various NFA personnel	212,000	With COE No. 2019-041.
10-001-101-(08)/ 03/02/2010	Payment of FGI CY 2008	-do-	290,000	With NFD No. 2019-153.
10-002-101-(09)/ 03/02/2010	Payment of FGI CY 2009	-do-	250,000	-do-
12-001(08)/ 07/17/2012	Payment of FGI CY 2008	-do-	615,000	With pending Petition for Certiorari filed before the SC.
12-002(09)/ 07/18/2012	Payment of FGI CY 2009	-do-	580,000	-do-
12-003(11)/ 07/19/2012	Payment of FGI CY 2011	-do-	640,000	-do-
13-001-(11)/ 01/09/2013	-do-	-do-	280,000	Under Appeal.
14-001-(12)/ 02/25/2014	Payment of FGI CY 2012	-do-	315,000	-do-
11-001(10)/ 08/02/2011	Payment of FGI CY 2010	-do-	620,000	The petition is under evaluation of the Claims and Adjudication Office - Corporate per letter of the COA Commission Secretary.
2013-004(2012)/ 08/29/2013	Payment of FGI CY 2012	-do-	640,000	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
Region IV-B			11,510,107	
Palawan BO				
09-001-101 (09)/ 12/28/2009	Payment of FGI CY 2008	Various NFA personnel	245,570	Unpaid balance of separated/retired/ deceased former NFA employees and officials.
2011-001 (2009)/ 09/06/2011	Payment of FGI CY 2009	-do-	178,688	-do-
2011-002 (2010)/ 10/26/2011	Payment of FGI CY 2010	-do-	254,279	-do-
Occidental Mindoro BO				
2010-01-(2008)/ 01/07/2010	Payment of FGI CY 2008	Various NFA personnel	277,992	Unpaid balance.
11-001-GOF(10)/ 09/12/2011	Payment of FGI CY 2010	-do-	202,992	-do-
2009-002-101/ 01/07/2010	Payment of FGI CY 2009	-do-	740,000	With NFD.
12-001-GOF(11)/ 05/29/2012	Payment of FGI CY 2011	-do-	875,000	Under Appeal. Partially settled.
13-001-GOF(12)/ 03/22/2013	Payment of FGI CY 2012	-do-	810,000	-do-
15-001-GOF (09)/ 10/19/2015	Payment of FGI CY 2009	-do-	860,000	-do-
11-001-GOF-(10)/ 10/05/2011	Payment of FGI CY 2010	-do-	800,000	Petition for review was filed.
13-001-GOF-(12)/ 01/10/2013	Payment of FGI CY 2012	-do-	745,000	Under Appeal.
15-001-GOF (08)/ 09/15/2015	Payment of FGI CY 2008	-do-	775,000	-do-
15-002-GOF (11)/ 10/19/2015	Payment of FGI CY 2011	-do-	780,000	-do-
18-001-101-(15-17)/ 10/15/2018	Payment of 2015-2017 step increment	-do-	25,575	-do-
18-001-101 (15-17)/ 09/29/2018	-do-	-do-	35,011	Under Appeal. Partially settled.
Oriental Mindoro BO				
13-001-GOF(12)/ 10/25/2013	Payment of FGI CY 2012	Various NFA personnel	50,000	Unsettled.
15-002- GOF (10)/ 10/22/2015	Payment of FGI CY 2010	-do-	820,000	With NFD.
2010-01 (2008)/ 01/02/2010	Payment of FGI CY 2008	-do-	820,000	Under Appeal.
15-001- GOF (09)/ 10/22/2015	Payment of FGI CY 2009	-do-	695,000	-do-
15-003- GOF (11)/ 10/22/2015	Payment of FGI CY 2011	-do-	840,000	-do-
Palawan BO				
2012-001 (2011)/ 01/18/2012	Payment of FGI CY 2011	Various NFA personnel	680,000	With CP Decision No.2021-294. Partially settled.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
Region V			5,813,519	
RO				
12-002-GOF(10)/ 11/26/2012	Payment of FGI CY 2010	Various NFA personnel	580,000	With COA CP Decision No. 2016-434 denying the motion for reconsideration. Partially settled.
12-002-GOF(11)/ 11/26/2012	Payment of FGI CY 2011	-do-	600,000	-do-
14-001-GOF(12)/ 09/05/2014	Payment of FGI CY 2012	-do-	205,000	-do-
Albay BO				
14-001-101-(12)/ 05/23/2014	Payment of FGI	Various NFA personnel	440,000	With COA CGS 5 Decision No. 2015-018 denying the appeal. Partially settled.
12-001-GOF-(11)/ 11/26/2012	-do-	-do-	900,000	-do-
12-002-GOF-(10)/ 11/26/2012	-do-	-do-	880,000	-do-
14-001-GOF-(12)/ 09/05/2014	-do-	-do-	550,000	-do-
Camarines Sur BO				
14-001-101-(12)/ 05/23/2014	Payment of FGI	Various NFA personnel	246,000	Partially settled.
2014-001-101(12)/ 05/23/2014	Payment of FGI CY 2012	-do-	95,600	Without appeal, become final and executory.
2018-001-101(18)/ 09/19/2018	Grant of Representation and TA (RATA)	-do-	25,000	With Appeal.
Sorsogon BO				
No detail	No detail	Various NFA personnel	11,086	No records on file.
2014-09-001/ 09/11/2014	Payment of FGI	-do-	630,000	With COA Decision No. 2015-018 denying the appeal and affirming the disallowance.
2012-05-001(11)/ 05/21/2012	-do-	-do-	440,000	Petition for review filed with the CP.
14-001-101(12)	Payment of FGI CY 2011	-do-	210,833	With COA CP Decision No. 2016-434 denying the motion for reconsideration.
Region VI			28,450,119	
RO				
13-005-GOF (12)/ 01/04/2013	Housing allowance	Various NFA personnel	2,000	With COA RO VI Decision No. 2017-077 which reduced the ND to P2,000.
13-003-GOF (10)/ 01/04/2013	Payment of FGI CY 2010	-do-	690,000	With COA RO VI Decision No. 2016-053.
13-002-GOF (11)/ 01/04/2013	Payment of FGI CY 2011	-do-	685,000	Adjusted from P700,000. With COA RO VI Decision No. 2016-053.
12-004-GOF (12)/ 11/22/2013	Housing allowance	-do-	2,500	COA RO VI Decision No. 2017-077.
14-001- GOF(12)/ 09/09/2014	Payment of FGI CY 2012	-do-	625,000	Motion for Reconsideration filed before the CP.
Iloilo BO				
11-001-101-(09)/ 06/30/2011	Payment of FGI CY 2009	Various NFA personnel	580,000	Unsettled.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
11-002-101-(10)/ 06/30/2011	Payment of FGI CY 2010	Various NFA personnel	670,000	Unsettled.
2012-001-101-(11)/ 12/13/2012	Payment of FGI CY 2011	-do-	700,000	-do-
2012-002-101-(12)/ 01/07/2013	-do-	-do-	20,000	-do-
2014-001-GOF-(12)/ 09/16/2014	Payment of FGI CY 2012	-do-	720,000	-do-
2018-001 GOF (2015/2016)/ 06/13/2018	Payment for security services	-do-	1,948,428	-do-
14-002-GOF-(2012)/ 09/09/2014	Payment of FGI CY 2012	-do-	1,440,000	Motion for Reconsideration filed before the CP.
14-001-GOF-(2011)/ 09/09/2014	-do-	-do-	1,460,000	-do-
18-001-GOF- (2015/2016)/ 04/17/2018	Payment for security services	-do-	7,834,195	Unsettled.
Capiz BO				
2012-001-GOF(10)/ 06/26/2012	Payment of FGI CY 2010	Various NFA personnel	505,000	COA Decision No. 2021-415.
2012-002-GOF(11)/ 06/26/2012	Payment of FGI CY 2011	-do-	520,000	-do-
14-001-GOF-(2010)/ 09/09/2014	Payment of FGI CY 2010	-do-	880,000	With CGS 5 Decision No. 2015-018.
14-002-GOF-(2011)/ 09/09/2014	Payment of FGI CY 2011	-do-	920,000	-do-
14-003-GOF-(2012)/ 09/09/2014	Payment of FGI CY 2012	-do-	880,000	-do-
2018-001-GOF (2015/2016)/ 05/10/2018	-do-	-do-	3,053,902	Unsettled.
2019-001-GOF (2016-2018)/ 10/10/2019	Payment of GAIP CYs 2016-2018	-do-	1,200	-do-
2014-001-GOF-(12)/ 09/16/2014	Payment of FGI CY 2012	-do-	520,000	-do-
2018-001- GOF(2015/2016)/ 05/04/2018	Payment for security services	-do-	1,271,934	-do-
2019-001 GOF (2016-2018)/ 04/12/2019	Payment of GAIP CYs 2016-2018	-do-	960	-do-
Negros Occidental BO				
2014-001 (2010)/ 06/30/2014	Payment of FGI CY 2010	Various NFA personnel	910,000	With CGS 5 Decision No. 2015-018.
2014-001 (2011)/ 06/30/2014	Payment of FGI CY 2011	-do-	920,000	-do-
2014-001 (2012)/ 06/30/2014	Payment of FGI CY 2012	-do-	690,000	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
Region VII			3,485,110	
RO				
2014-001(12)/ 06/25/2014	Payment of FGI	Various NFA personnel	660,000	Unsettled.
2014-001(12)/ 06/25/2014	-do-	-do-	435,110	-do-
Cebu BO				
2014-001(12)/ 06/25/2014	Payment of FGI	Various NFA personnel	1,530,000	With Petition for Review before the CP.
Negros Oriental BO				
2014-001(12)/ 06/25/2014	Payment of FGI	Various NFA personnel	540,000	With Petition for Review.
2014-001(12)/ 06/25/2014	-do-	-do-	320,000	-do-
Region VIII			11,486,679	
RO				
2019-08-03/ 08/13/2019	Travelling expenses	Various NFA personnel	4,600	Unsettled.
2019-08-02/ 08/09/2019	-do-	-do-	6,000	-do-
2019-08-01/ 08/09/2019	-do-	-do-	6,000	-do-
2019-01-001/ 06/06/2019	Purchase of office supplies	-do-	20,443	-do-
2016-08-007/ 08/31/2016	Payment for construction of 40,000 cc warehouse, NFA, Borongan City	-do-	253,401	-do-
2015-10-01 (15)/ 10/13/2015	Driver's license renewal fee	-do-	418	-do-
2015-10-02 (15)/ 10/19/2015	Travelling expenses	-do-	800	-do-
2013-001-GOF (2012)/ 08/29/2013	Details not provided	-do-	680,000	With Appeal.
2012-001-GOF (10)/ 05/08/2012	-do-	-do-	610,000	-do-
2012-002-GOF (11)/ 06/05/2012	-do-	-do-	665,000	-do-
2012-001-GOF (12)/ 11/14/2012	-do-	-do-	240	-do-
2012-002-GOF (12)/ 11/14/2012	-do-	-do-	240	-do-
Leyte BO				
2020-07-007 (2019)/ 07/27/2020	RATA	Various NFA personnel	227	Unsettled.
2020-07-006 (2019)/ 07/27/2020	-do-	-do-	227	-do-
2020-07-005 (2019)/ 07/27/2020	-do-	-do-	455	-do-
2020-07-004 (2019)/ 07/27/2020	-do-	-do-	682	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
2020-07-003 (2019)/ 07/27/2020	RATA	Various NFA personnel	227	Unsettled.
2020-07-002 (2019)/ 07/27/2020	-do-	-do-	227	-do-
2020-07-001 (2019)/ 07/27/2020	-do-	-do-	909	-do-
2019-09-001 (2016)/ 09/25/2019	Last and final billing of project construction of 100 tcc warehouse with WSII office at San Pablo, Ormoc	-do-	266,689	-do-
2013-001-GOF (2012)/ 08/29/2013	Payment of FGI	-do-	995,000	Under Appeal.
2012-001-GOF(10)/ 09/2012	-do-	-do-	920,000	-do-
2012-002-GOF(11)/ 05/11/2012	-do-	-do-	960,000	-do-
2021-06-003 (2019)/ 06/11/2021	Travelling expenses	-do-	5,497	Unsettled.
2020-01-001 (2019)/ 01/30/2020	Purchase of cellphone case	-do-	500	-do-
2016-09-002/ 09/05/2016	Travelling expenses	-do-	3,520	-do-
2016-09-004 (2016)/ 09/05/2016	-do-	-do-	3,640	-do-
2016-09-006 (2016)/ 09/07/2016	-do-	-do-	3,640	-do-
2013-001-GOF (2012)/ 08/28/2013	Payment of FGI	-do-	560,000	Under Appeal.
2012-005 to 032 (11)/ 08/17/2012	-do-	-do-	535,000	-do-
2017-01-001 (2016)/ 02/16/2017	Travelling expenses	-do-	1,200	With partial settlement.
2013-001 (GOF) 2012/ 08/28/2013	Payment of FGI	-do-	440,000	Under Appeal.
2012-001-COB(11)/ 05/31/2012	-do-	-do-	405,000	-do-
2012-001-COB(12)/ 05/31/2012	-do-	-do-	455,000	-do-
<u>Northern Samar BO</u>				
2012-001 (2011) / 04/25/2012	Payment of FGI	Various NFA personnel	640,000	Under Appeal.
2017-05-002 (2017)/ 08/28/2013	-do-	-do-	60,000	-do-
2020-001(2018)/ 09/11/2020	Travelling expenses	-do-	1,600	Unsettled.
2020-002(2018)/ 09/11/2020	-do-	-do-	800	-do-
2012-001 (2011)/ 05/2012	Payment of FGI	-do-	470,501	Under Appeal.
2013-001 (12) GOF/ 07/29/2013	-do-	-do-	530,000	With motion for consideration with the CP.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
2012-001-101-(10)/ 02/01/2012	Payment of FGI	Various NFA personnel	600,000	Under Appeal.
2012-002-101-(11)/ 02/06/2012	-do-	-do-	675,000	-do-
2013-001-GOF- (12)/ 8/29/2013	-do-	-do-	680,000	-do-
2014-02-GOF-(12)/ 12/29/2014	Travelling expenses	-do-	8,547	NS matured into ND.
2014-01-GOF-(12)/ 12/29/2014	-do-	-do-	6,200	-do-
2017-03-002 (2016)/ 03/29/2017	Trucking services	-do-	6,069	Unsettled.
2015-11-01 (2015)	Claims of travelling expenses	-do-	3,180	-do-
Region IX			7,876,819	
RO				
11-002-GOF (11)/ 09/01/2011	Payment of GHIP CY 2011	Various NFA personnel	473,357	Under Appeal.
17-001-13/ 06/08/2017	Payment of GHIA CY 2013	-do-	494,365	With Petition for Review before the CP.
17-002-14/ 06/08/2017	Payment of GHIA CY 2014	-do-	408,087	-do-
17-004-17/ 06/08/2017	Payment of GHIA CY 2016	-do-	220,629	-do-
17-003-15/ 06/08/2017	Payment of GHIA CY 2015	-do-	293,597	-do-
14-001-(12)/ 12/02/2014	Payment of FGI CY 2012	-do-	197,123	With NFD. Unsettled.
12-001(11)	Payment of FGI CY 2011	-do-	172,518	Unsettled.
11-003-GOF(10)/ 09/13/2011	Payment of FGI CY 2010	-do-	391,161	With partial settlement of P50,836.
Zamboanga City BO				
ZCPO11-001- GOF(10)/ 10/03/2011	Payment of FGI CY 2010	Various NFA personnel	72,035	With NFD. With partial settlement.
ZCPO12-001-(11)/ 04/30/2012	Payment of FGI CY 2011	-do-	147,336	-do-
ZCPO14-001(12)/ 02/12/2014	Payment of FGI CY 2012	-do-	287,028	With partial settlement.
11-001-101 (10)/ 02/04/2011	Payment of FGI CY 2010	-do-	86,787	Unsettled.
11-002-101 (10)/ 02/07/2011	Payment of CNAI CY 2010	-do-	73,405	-do-
15-002-101(12)/ 07/07/2015	Payment of FGI CY 2011	-do-	122,567	With partial settlement.
15-001-101(13)/ 07/07/2015	Payment of FGI CY 2012	-do-	100,000	-do-
19-001-101(10)/ 10/03/2019	Travel expenses	-do-	6,650	Unsettled.
19-001-102(10)/ 10/03/2019	-do-	-do-	9,423	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
Zamboanga Sur BO				
12-003-GOE 0912(09)/ 12/29/2011	Payment of FGI	Various NFA personnel	625,000	For automatic review by the CP.
12-001-GOE 1012(10)/ 12/21/2011	-do-	-do-	580,000	-do-
12-002-GOE 1112(11)/ 12/21/2011	-do-	-do-	640,000	-do-
15-001-101(12)/ 09/29/2015	-do-	-do-	399,200	With Appeal or motion for reconsideration. Partially settled.
15-002-101(12)/ 09/29/2015	-do-	-do-	80,000	Collected the amount of P160,000 as of December 31, 2019.
11-001-101(10)/ 02/04/2011	-do-	-do-	480,000	With NFD.
11-002-101 (10)/ 02/11/2011	CNA	-do-	284,586	With NFD. Salary deduction started March 2015.
12-005 GOE 1005(12)/ 05/15/2012	-do-	-do-	13,000	NFD issued and received by the persons liable.
12-004 GOE 1005(10)/ 05/28/2012	-do-	-do-	15,000	-do-
12-004 GOE 1012(10)/ 09/22/2012	Cash advance for travel	-do-	13,000	-do-
13-001 GOE 1212(12)/ 01/4/2013	Payment of FGI	-do-	60,000	-do-
13-002 GOE 1212(12)/ 01/11/2013	-do-	-do-	570,000	-do-
2012-01-(2010-2011)/ 12/03/2012	-do-	-do-	560,965	With NFD. Partially settled.
Region X			6,806,106	
RO				
14-01-GOF-(2012)/ 06/30/2014	Payment for FGI	Various NFA personnel	660,000	Unsettled.
12-002-GOF(10)/ 04/30/2012	-do-	-do-	580,000	-do-
12-001-GOF(11)/ 04/30/2012	-do-	-do-	812,402	-do-
11-004-GOF(10)/ 08/17/2011	Director's annual dues; EME without complete documentation	-do-	12,000	-do-
11-002-GOF(10)/ 07/07/2011	Cost of transportation incurred in the family visit of the Regional Director (RD) for the months of January-July 2010	-do-	49,887	-do-
11-001-GOF(10)/ 05/15/2011	EME for CY 2010 exceeded the allowable budget of P94,000	-do-	8,983	-do-
10-001-GOF(10)/ 10/18/2010	Travelling expenses of the farmers' representative of NFA	-do-	18,880	-do-
Bukidnon BO				
14-01-GOF(2012)/ 06/30/2014	Payment for FGI	Various NFA personnel	1,055,000	NFD issued pursuant to SC decision with G.R. No. 237874.
Misamis Oriental BO				
14-01-GOF(2012)/ 06/30/2014	Payment for FGI	Various NFA personnel	780,000	Unsettled.

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
12-10-001(11)/ 10/05/2012	Payment for FGI	Various NFA personnel	840,000	Unsettled.
16-01-GOF(2011)/ 12/04/2016	-do-	-do-	269,900	-do-
13-02-GOF(2012)/ 06/30/2014	-do-	-do-	280,000	-do-
Lanao del Norte BO				
2012-002/ 12/10/2012	Payment of GAIP	Various NFA personnel	1,680	CGS Cluster V Decision No, 2021-022 affirming the disallowance.
2012-001/ 12/10/2012	Payment of GHIP	-do-	61,712	Unsettled.
14-01-GOF (2012)/ 06/30/2014	Payment for FGI	-do-	340,000	With partial settlement.
16-001(16)/ 12/05/2016	Payment of step increment	-do-	7,690	Unsettled.
16-002(16)/ 12/05/2016	-do-	-do-	3,737	-do-
16-003(16)/ 12/05/2016	-do-	-do-	6,331	-do-
16-003 (15)4-01GOF (2012)/ 06/30/2014	Payment of FGI	-do-	580,000	-do-
2011-003-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-004-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-006-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-007-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-009-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-010-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-011-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-012-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-014-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-015-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-016-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-017-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-018-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-020-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
2011-021-101 (2010)/ 09/19/2011	Payment of FGI	Various NFA personnel	20,000	Unsettled.
2011-022-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-023-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-024-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-025-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
2011-026-101 (2010)/ 09/19/2011	-do-	-do-	20,000	-do-
16-001 (15)/ 03/11/2016	-do-	-do-	630	-do-
16-002 (15)/ 03/11/2016	-do-	-do-	630	-do-
16-003 (15)/ 02/04/2016	Payment of TEV	-do-	3,753	-do-
16-004 (15)/ 03/11/2016	-do-	-do-	2,401	-do-
16-005 (15)/ 03/11/2016	Payment of overclaim of terminal leave	-do-	15,086	-do-
16-006 (15)/ 03/11/2016	-do-	-do-	7,310	-do-
15-001 (15)/ 07/20/2015	Payment of step increment	-do-	3,101	-do-
15-002 (15)/ 7/20/2015	-do-	-do-	2,129	-do-
15-003 (15)/ 07/20/2015	-do-	-do-	1,438	-do-
15-001 (14)/ 07/20/2015	-do-	-do-	1,426	-do-
Region XI			2,060,905	
RO				
2014-001 (2012)/ 09/10/2014	Grant of FGI CY 2012	Various NFA personnel	323,145	Active with installment payment.
Davao del Norte BO				
2014-001 (2012)/ 10/13/2014	Payment of FGI	Various NFA personnel	660,239	Active with installment payment.
2022-001 (2021)/ 09/07/2022	Overpayment of service incentive payment to NFA retirees in CY 2021	-do-	1,155	-do-
Davao Oriental BO				
2014-001(2012)/ 09/10/2014	Grant of FGI CY 2012	Various NFA personnel	280,000	-do-
Davao Del Sur BO				
DDS 2014-001(2012)/ 09/11/2014	FGI CY 2012	Various NFA personnel	337,033	With NFD issued based on CP Decision.
2014-001 (2012)	-do-	-do-	459,333	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
Region XII			4,760,000	
RO				
2014-001-501(2012)/ 04/02/2014	Payment of FGI	Various NFA personnel	660,000	Consolidated Petition for Review was filed before the CP.
North Cotabato BO				
2014-003-501(2012)/ 04/02/2014	Payment of FGI	Various NFA personnel	960,000	Consolidated Petition for Review was filed before the CP.
South Cotabato BO				
2014-004-501(2012)/ 04/02/2014	Payment of FGI CY 2012	Various NFA personnel	840,000	Consolidated petition for review filed before the CP.
2014-001 (2012)/ 09/01/2014	-do-	-do-	860,000	-do-
Sultan Kudarat BO				
2014-002-501(2012)/ 04/03/2014	Payment of FGI CY 2012	Various NFA personnel	1,440,000	Consolidated petition for review filed before the CP.
CARAGA			5,287,325	
RO				
2014-01(12)/ 10/01/2014	Payment of FGI CY 2012	Various NFA personnel	500,000	Under Appeal.
Agusan del Norte BO				
2014-01(12)/ 02/06/2014	Payment of FGI CY 2012	Various NFA personnel	480,000	Unsettled.
Agusan del Sur BO				
2014-01(12)/ 02/06/2014	Payment of FGI CY 2012	Various NFA personnel	740,000	Unsettled.
2012-01(11)	-do-	-do-	720,000	-do-
Surigao del Norte BO				
10-01-101(10)/ 06/13/2011	Payment of FGI CY 2009	Various NFA personnel	80,000	With NFD 2014-219. Partially settled.
12-001-GOF (11)	Payment of FGI CY 2011	-do-	500,000	With NFD No. 2019-020. Petition for Certiorari filed at SC.
Surigao del Sur BO				
11-001-111 GOF(09- 10)	Payment of FGI CYs 2009 and 2010	Various NFA personnel	407,325	Partially settled; With COE No. 2015-251.
12-001-111 GOF/ 04/10/2012	-do-	-do-	380,000	With NFD.
2014-01(12)/ 02/06/2014	-do-	-do-	320,000	-do-
11-001-GOF(10)/ 06/13/2011	Payment of FGI CY 2010	-do-	580,000	On Appeal to the SC.
12-001-GOF (11)	Payment of FGI CY 2011	-do-	580,000	On Appeal to the CP.
BARMM			1,691,150	
RO				
2014-01(2012)/ 12/02/2014	Details not provided	Various NFA personnel	690,800	Unsettled.
2014-01-(2012)/ 12/02/2014	-do-	-do-	984,650	-do-
16-001-101/ 09/30/2016	-do-	-do-	1,200	-do-

ND No./Date	Nature of Disallowance	Person(s) Liable	Amount	Status
Basilan BO				
Details not provided	Details not provided	Various NFA personnel	14,500	Unsettled.
Total			P184,029,218	

III. Notices of Charge (NCs)

NC No./Date	Nature of Charge	Person(s) Liable	Amount	Status
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With CGAS Cluster 5 Decision

Region I			P 311,200	
La Union BO				
15-033-RCA (2015)/ 12/04/2015	Under- collection of rice sales CY 2014	Various NFA personnel and NFA retailers	147,100	With CGAS Cluster 5 Decision No. 2021-018 lifting the NC. Under automatic review with the CP.
15-036-RCA-(2015)/ 12/04/2015	Under-collection of rice sales	NFA retailer	29,800	With CGAS Cluster V Decision No. 2021-019 lifting the NC. For issuance of Notice of Settlement, of Suspension, Disallowance and Charge (NSSDC).
15-037-RCA-(2015)/ 12/04/2015	-do-	-do-	33,800	With CGAS Cluster V Decision No. 2021-020 lifting the NC. For issuance of NSSDC.
15-038-RCA-(2015)/ 12/04/ 2015	-do-	-do-	100,500	With CGAS Cluster 5 Decision No. 2018-020.
Sub-Total			311,200	

With Notice of Finality Decision (NFD)

Region IV-A			27,055	
Batangas BO				
2000-001-02(99)/ 01/24/2000	Uncollected storage charges	Corporation	27,055	Partially settled; With NFD and COE.
Sub-Total			27,055	

With Appeal Memoranda

Region I			271,500	
La Union BO				
15-034-RCA-(2015)/ 12/04/2015	Under-collection of rice sales	NFA Retailer	191,200	Under Appeal.
15-035-RCA-(2015)/ 12/04/2015	-do-	-do-	80,300	-do-
Sub-Total			271,500	

Unsettled

Region III			1,742,647	
Bulacan BO				
09-12-02/ 12/14/2009	Unremitted collections on registration and license fees	Former Registration and Licensing Officer	877,804	The person liable found guilty and meted the penalty of dismissal from the service per Admin Case No. 10- 02-002.
09-12-02(A)/ 12/22/2009	-do-	-do-	864,843	-do-
Sub-Total			1,742,647	
Total			P2,352,402	