



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City,
Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

June 28, 2019

Mr. POCHOLO JOSELITO D. PARAGAS

Chief Operating Officer

Tourism Infrastructure and Enterprise Zone Authority
6th and 7th Floors, Double Dragon Plaza, DD Meridian Park,
Pasay City

TOURISM INFRASTRUCTURE and ENTERPRISE ZONE AUTHORITY
Office of the Chief Operating Officer



RECEIVED

Time: 28 June 19

Ernest R. Cariaga

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 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 Tourism Infrastructure and Enterprise Zone Authority (TIEZA) for the years ended December 31, 2018 and 2017.

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

The Auditor expressed a qualified opinion on the fairness of the presentation of the financial statements of TIEZA for the years 2018 and 2017 because the accuracy and existence of the recorded Property and Equipment (PE) account of TIEZA Main Office with a carrying amount of P2.974 billion could not be ascertained due to non-preparation of the Annual Physical Inventory Report; non-reconciliation of the results of physical inventory with the accounting records and consequently, non-submission of the required report to the Audit Team for examination.

Moreover, unreconciled discrepancies aggregating P51.190 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) cast doubt on the fair presentation of these accounts in TIEZA's financial statements as required under Philippine Public Sector Accounting Standards (PPSAS) No. 1.

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

1. Real properties amounting to P442.636 million acquired either by purchase or donation remain untitled to date, casting doubt whether TIEZA holds or controls the rights to these properties.

We recommended that Management initiate action to facilitate the titling of real properties, including filing of legal cases, if necessary.

2. Present condition of various TIEZA properties as observed during ocular inspection necessitates legal action and rehabilitation to mitigate the risks of further encroachment and opportunity loss due to non-operation.

We recommended that Management:

- a. Review the viability of restoring deteriorated properties and rehabilitating the same, if viable, in order to provide more tourist destinations and generate additional revenues for TIEZA; and
 - b. Authorize the Asset Management Sector (AMS) and the Legal Department to initiate actions to resolve the encroachment of various TIEZA properties in order to reclaim these properties and mitigate the risks of further encroachment and relocation costs.
3. The Amendment to the Contract of Lease (Platform) executed by and between TIEZA and China Oceanis PTE., LTD. (COPL) on October 09, 2015 renewing the principal contract dated April 25, 2005 for another 25 years is uncalled for/unjustified and grossly disadvantageous to the Government considering that the original contract is yet to expire in 2030.

We recommended that Management review the renewal of Contract of Lease (CoL), which is not yet due to be implemented, and consider amendments for the best interest of the Government.

4. The incremental rental rates provided under the CoL with China Oceanis PTE., LTD. (COPL) were not properly applied in the lease charges and the two per cent variable component on hotel operations on top of the fixed rental rate was not collected and recorded resulting in undercollection and understatement of rental income amounting to P2.355 million and undisclosed share in hotel operations.

We recommended that Management:

- a. Enforce the collection of P2.355 million and record the same representing incremental rental rates as provided in the contracts entered into with COPL; and
 - b. Assert its entitlement and collect the two per cent share from hotel revenues from April 2010 and onwards and resort to legal remedies, if necessary.
5. The provision in the Memorandum of Agreement (MOA) with the Bureau of Immigration (BI) regarding the filling up of airline ticket number by passengers in the Arrival/Departure (A/D) cards was not strictly enforced by the BI, defeating the objective to strengthen validation controls to capture accurate and complete travel taxes collected by airlines.

We recommended that Management confer with the BI on the need to amend the MOA to impose strict compliance of filling in the required airline ticket number of departing passengers to ensure that travel taxes reported and collected shall pass through validation controls.

The above and other audit observations, together with the recommended courses of action, which were discussed with Management officials and staff concerned during the exit conference conducted on May 24, 2019, are presented in detail in Part II of the report.


We request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days from the date of receipt.

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

Very truly yours,

COMMISSION ON AUDIT

By:


ELSIELIN C. MASANGCAY
Director IV

Copy Furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government – Owned or Controlled Corporations
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