



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Tourism Infrastructure and Enterprise Zone Authority
6th and 7th Floor, Tower 1 Double Dragon Plaza, Meridian Park
Macapagal Avenue corner EDSA Extension Bay Area,
Pasay City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), which comprise the statements of financial position as at December 31, 2018 and 2017, 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, 2018, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of TIEZA as at December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSAS).

Basis for Qualified Opinion

The accuracy and existence of the recorded Property and Equipment (PE) account of the 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.

As alternative auditing procedures, the Audit Team reviewed the accuracy of the lapsing schedules on the PE and conducted ocular inspection of Land and Leased Asset Improvements and Building and Other Structures amounting to P15,476 million. However, except for Land and Leased Asset Improvements and Building and Other Structures, the Audit Team was not able to perform other audit procedures to attest Management's assertions of accuracy and existence of the PE account in the absence of Annual Physical Inventory Report that should have been subjected to 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 the TIEZA's financial statements as required under Philippine Public Sector Accounting Standards (PPSAS) No. 1.

We were not able to perform alternative audit procedures in the absence of a reconciliation of the said discrepancies. Consequently, we were unable to determine whether any adjustment is necessary.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of TIEZA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, 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.

Emphasis of Matter

We draw attention to Note 32 to the financial statements which describes the pending cases/petitions in various courts and administrative bodies involving various claims by and against TIEZA. The ultimate outcome of these cases/petitions could not presently be determined. Accordingly, no provision for liability that may result has been made in the financial statements. Our opinion is not modified in the respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing TIEZA'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 TIEZA'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 TIEZA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause TIEZA 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, 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 in Note 34 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. In our opinion, except for the possible effects of the information of the matters described in the Basis for Qualified Opinion section, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT



LOURDES D. BENITEZ
Supervising Auditor 

May 24, 2019