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

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

Tourism Infrastructure & Enterprise Zone Authority
Office of the Corporate Secretary
RECEIVED
BY: RAMINAH PEÑA
DATE: 7/19/21
TIME:

July 15, 2021

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

Gentlemen:

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 audit of the accounts and transactions of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) for the year ended December 31, 2020 and 2019.

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 presentation of the financial statements of TIEZA for the years 2020 and 2019 because the accuracy and existence of the recorded Property and Equipment (PE) including Investment Property and Service Concession Assets accounts at a total carrying amount of P6.5 billion could not be ascertained due to the non-inclusion of real properties amounting to P6.315 billion in the physical inventory, and partial reconciliation of the discrepancy amounting to P147.517 million between the results of the partial physical inventory taking and the accounting records.

Except for the review of the Land account with historical cost of P3.241 billion pertaining to the Club Intramuros Golf Course area, the Audit Team was not able to perform other audit procedures to attest Management's assertions of accuracy and existence of the affected accounts in the absence of a complete Annual Physical Inventory Report that should have been subjected to examination.

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

a. Conduct complete physical inventory count of assets or conduct an alternative procedure that would serve the same purpose and refrain from partial inventory taking;

b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and

c. Adjust the books of accounts after the reconciliation of asset account balances between the General Services Department and Financial Services Department to reflect the accurate balances of the PE account in the financial statements.

The other significant observations and recommendations are as follows:

1. Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.

   We reiterated our prior years' recommendation that Management fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.

2. There were unreconciled discrepancies aggregating P69.379 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) in violation of COA Circular No. 94-013 dated December 13, 1994.

   We recommended that Management:

   a. Maintain the assignment of a focal person to communicate directly to concerned NGAs/LGUs on the submission of required documents;

   b. Assign a particular staff to reconcile discrepancies in the Due from NGAs/LGUs accounts periodically in coordination with the focal person;

   c. Carry-out Management's plan of requiring the submission of certificate of liquidation of Fund Transfers (FTs) (partial) before releasing the final tranche of financial assistance to the concerned NGA/LGU. In this manner, the remaining balance of accountability subject to reconciliation will be substantially reduced; and

   d. Demand the return of FTs amounting to P10.243 million confirmed as idle, suspended and unutilized by the NGAs/LGUs.

3. Non-observance of Sections 7.1 on procurement planning and 32.2.1 on bid evaluation of infrastructure projects of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, resulted in discrepancies between the items tendered by the contractors and the Bill of Quantities (BOQ) of the Authority amounting to P3.552 million.

   We recommended that Management revisit its procurement processes and strengthen controls as follows:

   a. Comply with Section 7.1 of the RIRR of RA No. 9184. In procurement planning, consistently and cautiously check the basic requirements of accessibility, right of way, clearing of informal settlers, mobilization and demobilization, including checking the proponent's compliance of its share in the program of works in case of infrastructure projects procured for LGUs or NGAs; and

b. Comply with Section 32.2.1(a) of the RIRR of RA No. 9184. In the evaluation of bids, consistently and judiciously compare in detail the BOQ per bid as against TIEZA's BOQ. Bids not addressing or providing all of the required items in the Bidding Documents including, where applicable, bill of quantities, shall be considered non-responsive and, thus, automatically disqualified.

4. The contract for the Establishment of Cave Lighting and Trails for the Sohoton Caves and Natural Bridge in Samar was awarded to a lone bidder without a valid Philippine Contractor Accreditation Board (PCAB) License as required in Section 23.1 of RIRR of RA No. 9184 and Item 5.1 of the Bid Data Sheet (BDS) and thus, should have been declared ineligible and the bidding should have been declared "failed".

   We recommended that Management stop the awarding of contracts to ineligible bidders and disqualify outright ineligible bidders such as those without valid PCAB license.

5. Defects in the Payment Collection System (PCS) raised in prior year's audit remained unchecked in CY 2020, resulting in the CIS Bayad Center, Inc.'s (CBCI) delayed remittances of collected travel taxes amounting to P2.368 million and undeposited collections amounting to P42,200, which is disadvantageous to TIEZA.

   We recommended that Management:

   a. Require CBCI to remit the undeposited collections and penalty charges in the total amount of P63,817 and the penalty charges in CY 2019;

   b. Require CBCI to upgrade the PCS by programming the automatic generation of DCRs instead of preparing the DCRs outside the system; and

   c. Strengthen monitoring controls surrounding the PCS including the random verification on the accuracy of DCRs by the Treasury Division and the periodic review on how to upgrade the efficiency of the PCS by the Management Information System Department.

The other audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on June 17, 2021, are presented in detail in Part II of the report.

In a letter of even date, we requested the Chief Operating Officer to take appropriate actions on the recommendations contained in the report and to inform this office of the actions taken thereon 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
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

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

CORPORATE GOVERNMENT SECTOR
Cluster 4 – Industrial and Area Development

TOURISM INFRASTRUCTURE and ENTERPRISE ZONE AUTHORITY
Office of the Chief Operating Officer
RECEIVED
By: CYNTONOS DIMAFELIX
Time: 1:35PM 7/19/21

July 15, 2021

Mr. MARK T. LAPID
Chief Operating Officer
Tourism Infrastructure and Enterprise Zone Authority
6th and 7th Floors, Double Dragon Plaza, DD Meridian Park
Pasay City

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 audit of the accounts and transactions of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) for the year ended December 31, 2020 and 2019.

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 presentation of the financial statements of TIEZA for the years 2020 and 2019 because the accuracy and existence of the recorded Property and Equipment (PE) including Investment Property and Service Concession Assets accounts at a total carrying amount of P6.5 billion could not be ascertained due to the non-inclusion of real properties amounting to P6.315 billion in the physical inventory, and partial reconciliation of the discrepancy amounting to P147.517 million between the results of the partial physical inventory taking and the accounting records.

Except for the review of the Land account with historical cost of P3.241 billion pertaining to the Club Intramuros Golf Course area, the Audit Team was not able to perform other audit procedures to attest Management's assertions of accuracy and existence of the affected accounts in the absence of a complete Annual Physical Inventory Report that should have been subjected to examination.

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

a. Conduct complete physical inventory count of assets or conduct an alternative procedure that would serve the same purpose and refrain from partial inventory taking;

b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and

c. Adjust the books of accounts after the reconciliation of asset account balances between the General Services Department and Financial Services Department to reflect the accurate balances of the PE account in the financial statements.

The other significant observations and recommendations are as follows:

1. Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.

   We reiterated our prior years' recommendation that Management fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.

2. There were unreconciled discrepancies aggregating P69.379 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) in violation of COA Circular No. 94-013 dated December 13, 1994.

   We recommended that Management:

   a. Maintain the assignment of a focal person to communicate directly to concerned NGAs/LGUs on the submission of required documents;

   b. Assign a particular staff to reconcile discrepancies in the Due from NGAs/LGUs accounts periodically in coordination with the focal person;

   c. Carry-out Management's plan of requiring the submission of certificate of liquidation of Fund Transfers (FTs) (partial) before releasing the final tranche of financial assistance to the concerned NGA/LGU. In this manner, the remaining balance of accountability subject to reconciliation will be substantially reduced; and

   d. Demand the return of FTs amounting to P10.243 million confirmed as idle, suspended and unutilized by the NGAs/LGUs.

3. Non-observance of Sections 7.1 on procurement planning and 32.2.1 on bid evaluation of infrastructure projects of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, resulted in discrepancies between the items tendered by the contractors and the Bill of Quantities (BOQ) of the Authority amounting to P3.552 million.

   We recommended that Management revisit its procurement processes and strengthen controls as follows:

   a. Comply with Section 7.1 of the RIRR of RA No. 9184. In procurement planning, consistently and cautiously check the basic requirements of accessibility, right of way, clearing of informal settlers, mobilization and demobilization, including checking the proponent's compliance of its share in the program of works in case of infrastructure projects procured for LGUs or NGAs; and

b. Comply with Section 32.2.1(a) of the RIRR of RA No. 9184. In the evaluation of bids, consistently and judiciously compare in detail the BOQ per bid as against TIEZA's BOQ. Bids not addressing or providing all of the required items in the Bidding Documents including, where applicable, bill of quantities, shall be considered non-responsive and, thus, automatically disqualified.

4. The contract for the Establishment of Cave Lighting and Trails for the Sohoton Caves and Natural Bridge in Samar was awarded to a lone bidder without a valid Philippine Contractor Accreditation Board (PCAB) License as required in Section 23.1 of RIRR of RA No. 9184 and Item 5.1 of the Bid Data Sheet (BDS) and thus, should have been declared ineligible and the bidding should have been declared "failed".

   We recommended that Management stop the awarding of contracts to ineligible bidders and disqualify outright ineligible bidders such as those without valid PCAB license.

5. Defects in the Payment Collection System (PCS) raised in prior year's audit remained unchecked in CY 2020, resulting in the CIS Bayad Center, Inc.'s (CBCI) delayed remittances of collected travel taxes amounting to P2.368 million and undeposited collections amounting to P42,200, which is disadvantageous to TIEZA.

   We recommended that Management:

   a. Require CBCI to remit the undeposited collections and penalty charges in the total amount of P63,817 and the penalty charges in CY 2019;

   b. Require CBCI to upgrade the PCS by programming the automatic generation of DCRs instead of preparing the DCRs outside the system; and

   c. Strengthen monitoring controls surrounding the PCS including the random verification on the accuracy of DCRs by the Treasury Division and the periodic review on how to upgrade the efficiency of the PCS by the Management Information System Department.

The other audit observations, together with the recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on June 17, 2021, are presented in detail in Part II of the report.

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

ANNUAL AUDIT REPORT

on the

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY

For the Years Ended December 31, 2020 and 2019

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Tourism Authority (PTA), created pursuant to Presidential Decree (PD) No. 189, as amended by PD No. 564, was reorganized as the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) attached to the Department of Tourism (DOT) for purposes of program and policy coordination pursuant to Section 63 of Republic Act (RA) No. 9593, otherwise known as "The Tourism Act of 2009". Its mandates are as follows:

a. To designate, regulate and supervise the Tourism Enterprise Zones (TEZs) established under RA No. 9593;

b. To develop, manage and supervise tourism infrastructure projects in the country;

c. To supervise and regulate the cultural, economic and environmentally sustainable development of TEZs toward the primary objective of encouraging investments therein;

d. To ensure strict compliance of the TEZ operator with the approved development plan by imposing penalties for failure or refusal of the tourism enterprises to comply with the approved development plan which shall also be considered a violation of the terms of accreditation; and

e. To continue the previously exercised functions of PTA under PD No. 564 not otherwise inconsistent with the other provisions of RA No. 9593. It shall, however, cease to operate the Duty Free Philippines.

TIEZA is headed by a Chief Operating Officer who acts as Vice Chairperson of the Board of Directors. The Board of Directors, composed of ex-officio public sector and private sector representatives, acts as the policy-making body of TIEZA.

TIEZA is composed of 381 permanent employees, 41 coterminous with the official being served, 28 coterminous with the privatization of the operating entity, 48 coterminous with the incumbent, 456 job orders, 18 contracts of service and two consultants as of December 31, 2020.

FINANCIAL HIGHLIGHTS

I. Comparative Financial Position

	2020	2019 (As restated)	Increase (Decrease)
Assets	11,803,868,227	26,135,606,801	(14,331,738,574)
Liabilities	2,292,452,757	4,394,750,391	(2,102,297,634)
Equity	9,511,415,470	21,740,856,410	(12,229,440,940)

II. Comparative Results of Operations

	2020	2019 (As restated)	Increase (Decrease)
Income	849,020,940	4,582,084,703	(3,733,063,763)
Expenses	1,309,056,991	2,392,450,028	(1,083,393,037)
Net Income (Loss)	(460,036,051)	2,189,634,675	(2,649,670,726)

III. Budget and Actual Expenditures

The total corporate operating budget and the corresponding expenditures of TIEZA are broken down as follows:

	2020		2019	
	Budget	Actual	Budget	Actual
Personnel Services	443,525,000	389,751,466	445,855,000	447,279,528
Maintenance and Other Operating Expenses	617,020,114	395,464,689	748,441,000	523,798,766
Capital Outlay	743,220,000	703,115,031	2,398,012,000	2,391,715,278
Debt Payment	32,937,000	31,026,654	32,937,000	32,673,504
Finance Cost	7,746,886	6,317,515	7,649,000	7,780,373
Total	1,844,449,000	1,525,675,355	3,632,894,000	3,403,247,449

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of TIEZA for the period January 1 to December 31, 2020 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2020 and 2019. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of TIEZA for the years 2020 and 2019 because the accuracy and existence of the recorded Property and Equipment (PE) including Investment Property and Service Concession Assets accounts at a total carrying amount of P6.5 billion could not be ascertained due to the non-inclusion of real properties amounting to P6.315 billion in the physical inventory, and partial reconciliation of the discrepancy amounting to P147.517 million between the results of the partial physical inventory taking and the accounting records.

Except for the review of the land account with historical cost of P3.241 billion pertaining to the Club Intramuros Golf Course area, the Audit Team was not able to perform other audit procedures to attest Management's assertions of accuracy and existence of the affected accounts in the absence of a complete Annual Physical Inventory Report that should have been subjected to examination.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

a. Conduct complete physical inventory count of assets or conduct an alternative procedure that would serve the same purpose and refrain from partial inventory taking;

b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and

c. Adjust the books of accounts after the reconciliation of asset account balances between the General Services Department and Financial Services Department to reflect the accurate balances of the PE account in the financial statements.

The other significant observations and recommendations are as follows:

1. Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.

   We reiterated our prior years' recommendation that Management fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.

2. There were unreconciled discrepancies aggregating P69.379 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) in violation of COA Circular No. 94-013 dated December 13, 1994.

We recommended that Management:

a. Maintain the assignment of a focal person to communicate directly to concerned NGAs/LGUs on the submission of required documents;

b. Assign a particular staff to reconcile discrepancies in the Due from NGAs/LGUs accounts periodically in coordination with the focal person;

c. Carry-out Management's plan of requiring the submission of certificate of liquidation of Fund Transfers (FTs) (partial) before releasing the final tranche of financial assistance to the concerned NGA/LGU. In this manner, the remaining balance of accountability subject to reconciliation will be substantially reduced; and

d. Demand the return of FTs amounting to P10.243 million confirmed as idle, suspended and unutilized by the NGAs/LGUs.

3. Non-observance of Sections 7.1 on procurement planning and 32.2.1 on bid evaluation of infrastructure projects of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, resulted in discrepancies between the items tendered by the contractors and the Bill of Quantities (BOQ) of the Authority amounting to P3.552 million.

   We recommended that Management revisit its procurement processes and strengthen controls as follows:

   a. Comply with Section 7.1 of the RIRR of RA No. 9184. In procurement planning, consistently and cautiously check the basic requirements of accessibility, right of way, clearing of informal settlers, mobilization and demobilization, including checking the proponent's compliance of its share in the program of works in case of infrastructure projects procured for LGUs or NGAs; and

   b. Comply with Section 32.2.1(a) of the RIRR of RA No. 9184. In the evaluation of bids, consistently and judiciously compare in detail the BOQ per bid as against TIEZA's BOQ. Bids not addressing or providing all of the required items in the Bidding Documents including, where applicable, bill of quantities, shall be considered non-responsive and, thus, automatically disqualified.

4. The contract for the Establishment of Cave Lighting and Trails for the Sohoton Caves and Natural Bridge in Samar was awarded to a lone bidder without a valid Philippine Contractor Accreditation Board (PCAB) License as required in Section 23.1 of RIRR of RA No. 9184 and Item 5.1 of the Bid Data Sheet (BDS) and thus, should have been declared ineligible and the bidding should have been declared "failed".

   We recommended that Management stop the awarding of contracts to ineligible bidders and disqualify outright ineligible bidders such as those without valid PCAB license.

5. Defects in the Payment Collection System (PCS) raised in prior year's audit remained unchecked in CY 2020, resulting in the CIS Bayad Center, Inc.'s (CBCI) delayed remittances of collected travel taxes amounting to P2.368 million and undeposited collections amounting to P42,200, which is disadvantageous to TIEZA.

   We recommended that Management:

   a. Require CBCI to remit the undeposited collections and penalty charges in the total amount of P63,817 and the penalty charges in CY 2019;

   b. Require CBCI to upgrade the PCS by programming the automatic generation of DCRs instead of preparing the DCRs outside the system; and

   c. Strengthen monitoring controls surrounding the PCS including the random verification on the accuracy of DCRs by the Treasury Division and the periodic review on how to upgrade the efficiency of the PCS by the Management Information System Department.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The total audit suspensions, disallowances and charges issued in the audit of various transactions of TIEZA amounted to P209,164,321 as of December 31, 2020, details of which are included in Part II of this report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 69 audit recommendations embodied in the previous years' Annual Audit Reports, 23 were implemented/reconsidered, 38 were partially implemented, and 8 were not implemented. Details are presented in Part III of this Report.

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AUDITED FINANCIAL STATEMENTS

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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, 2020 and 2019, 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, 2020, 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 paragraph of our report, the accompanying financial statements present fairly, in all material respects, the financial position of TIEZA as at December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Qualified Opinion

The accuracy and existence of the recorded Property and Equipment (PE), including Investment Property and Service Concession Assets accounts of TIEZA at a total carrying value of P6.5 billion could not be ascertained due to the non-inclusion of real properties amounting to P6.315 billion in the physical inventory, and partial reconciliation of the discrepancy amounting to P147.517 million between the results of the partial physical inventory taking and the accounting records.

As alternative auditing procedure, the Audit Team reviewed the land account with historical cost of P3.241 billion pertaining to the 23.363-hectare lot in Intramuros, Manila where the Club Intramuros Golf Course (CIGC) is situated. However, except for the said CIGC lot, the Audit Team was not able to perform other audit procedures to attest Management's assertions of accuracy and existence of the affected accounts in the absence of a complete Annual Physical Inventory Report that should have been subjected to examination.

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 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 IPSAS, 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.

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 effects of the information of the matters described in the Basis for Qualified Opinion paragraph, 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

June 17, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Tourism Infrastructure and Enterprise Zone Authority (TIEZA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, 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 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 the TIEZA or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the TIEZA's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

The Commission on Audit has audited the financial statements of the TIEZA in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed its opinion on the fairness of the presentation upon completion of such audit.

EDWIN R. ENRILE
Chairman of the Board/Alternate Representative

MARK T. LAPID
Chief Operating Officer

RODOLFO E. ANCHETA
Manager, Financial Services Department

June 17, 2021

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
CONDENSED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(In Philippine Peso)

	Note	**2020**	2019 (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	**1,314,375,497**	1,149,474,488
Investment in Time Deposits	5	**400,440,000**	14,724,240,534
Financial Assets - Held to Maturity	5	**475,000,000**	0
Receivables, net	6	**48,159,495**	554,092,695
Inventories	7	**14,165,420**	17,739,645
Other Current Assets	8	**132,653,261**	160,733,841
		2,384,793,673	16,606,281,203
Non-Current Assets			
Financial Assets - Held to Maturity	5	**762,278,005**	1,237,278,005
Investment in Associate	9	**207,628,805**	181,126,882
Receivables, net	6	**462,595,656**	318,457,904
Investment Property, net	10	**320,800,023**	328,268,035
Property and Equipment, net	11	**5,728,375,143**	5,398,745,542
Service Concession Assets, net	12	**1,802,048,062**	1,916,466,746
Other Non-Current Assets	8	**135,348,860**	148,982,484
		9,419,074,554	9,529,325,598
TOTAL ASSETS		**11,803,868,227**	26,135,606,801
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	**231,765,436**	273,442,718
Inter-Agency Payables	14	**163,364,005**	2,004,406,227
Deferred Credits/Unearned Income	15	**103,303,771**	103,807,018
Provisions	16	**96,755,097**	88,983,251
Other Payables	17	**28,513,085**	33,730,200
		623,701,394	2,504,369,414
Non-Current Liabilities			
Financial Liabilities	13	**122,729,870**	153,401,024
Trust Liabilities	18	**125,512,309**	266,822,484
Deferred Credits/Unearned Income	15	**1,373,240,685**	1,470,157,469
Other Payables	17	**47,268,499**	0
		1,668,751,363	1,890,380,977
TOTAL LIABILITIES		**2,292,452,757**	4,394,750,391
Net Assets (Total Assets Less Total Liabilities)		**9,511,415,470**	21,740,856,410
NET ASSETS/EQUITY			
Share Capital	30	**10,850,215**	10,850,215
Accumulated Surplus	30	**9,500,565,255**	21,730,006,195
TOTAL NET ASSETS/EQUITY		**9,511,415,470**	21,740,856,410

The notes on pages 11 to 78 form part of these financial statements.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
CONDENSED STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	**2020**	2019 (As Restated)
Revenue			
Tax Revenue	19	**467,934,245**	3,565,509,945
Service and Business Income	20	**377,303,188**	996,595,394
		845,237,433	4,562,105,339
Current Operating Expenses			
Personnel Services	21	**398,051,448**	448,060,339
Maintenance and Other Operating Expenses	22	**508,211,727**	692,245,440
Financial Expenses	23	**6,023,059**	7,414,052
Direct Costs	24	**5,540,916**	20,396,614
Non-Cash Expenses	25	**245,680,194**	484,815,352
		1,163,507,344	1,652,931,797
(Loss)/Surplus from Operations		**(318,269,911)**	2,909,173,542
Non-Operating Income (Loss)	26		
Gain on Foreign Exchange		**3,125,673**	17,965,192
Gain on Sale of Assets		**17,573**	0
Miscellaneous Income		**640,261**	2,014,172
Losses		**(27,020,088)**	(16,229,028)
(Loss)/Surplus Before Tax		**(341,506,492)**	2,912,923,878
Income Tax Expense		**247,653**	4,376,803
(Loss)/Surplus After Tax		**(341,754,145)**	2,908,547,075
Net Assistance/Subsidy/ (Financial Assistance/Subsidy/Contribution)	27	**(118,281,906)**	(718,912,400)
Net (Loss)/Surplus for the Period		**(460,036,051)**	2,189,634,675

The notes on pages 11 to 78 form part of these financial statements.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	Accumulated Surplus	Share Capital	Total
BALANCE AT JANUARY 1, 2019		**19,487,102,556**	**10,850,215**	**19,497,952,771**
CHANGES IN NET ASSETS/EQUITY FOR CY 2019				
Surplus for the Year		2,189,634,675		2,189,634,675
Other Adjustments	30	53,268,964		53,268,964
BALANCE AT DECEMBER 31, 2019, As Restated		**21,730,006,195**	**10,850,215**	**21,740,856,410**
CHANGES IN NET ASSETS/EQUITY FOR CY 2020				
Loss for the Year		(460,036,051)		(460,036,051)
Other Adjustments	30	(11,769,404,889)		(11,769,404,889)
BALANCE AT DECEMBER 31, 2020		**9,500,565,255**	**10,850,215**	**9,511,415,470**

The notes on pages 11 to 78 form part of these financial statements.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
CONDENSED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	2020	2019 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	**1,785,862,713**	7,247,736,340
Collection of Receivables	**24,889,114**	316,670,138
Receipt of Inter-Agency Fund Transfers	**61,749,917**	23,627,665
Receipt of Intra-Agency Fund Transfers	**115,133,841**	243,890,338
Trust Receipts	**38,796,297**	91,567,710
Other Receipts	**15,968,706**	19,578,807
Total Cash Inflows	**2,042,400,588**	7,943,070,998
Cash Outflows		
Payment of Expenses	**624,591,611**	672,243,555
Purchase of Inventories	**15,871,288**	48,732,740
Grant of Cash Advances	**3,954,004**	14,124,038
Prepayments	**437,882**	1,023,866
Refund of Deposits	**28,026,939**	23,153,476
Payments of Accounts Payable	**1,082,569,493**	109,044,870
Remittance of Share on Travel Tax Collections	**1,203,210,810**	3,486,658,630
Remittance of Personnel Benefit Contributions and Mandatory Deductions	**225,349,778**	288,852,939
Grant of Financial Assistance/Subsidy/Contribution	**0**	41,036,087
Release of Inter-Agency Fund Transfers	**12,432,701,128**	103,324,696
Release of Intra-Agency Fund Transfers	**117,636,726**	247,665,237
Other Disbursements	**33,659,321**	76,274,806
Total Cash Outflows	**15,768,008,980**	5,112,134,940
Net Cash (Used)/Provided by Operating Activities	**(13,725,608,392)**	2,830,936,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Matured Investments/Redemption of Long-term Investments/Return on Investments	**18,491,529,601**	331,329,883
Total Cash Inflows	**18,491,529,601**	331,329,883
Cash Outflows		
Purchase/Construction of Property and Equipment	**322,626,856**	673,296,686
Purchase of Investments	**4,247,355,472**	3,590,449,494
Total Cash Outflows	**4,569,982,328**	4,263,746,180
Net Cash Provided/(Used) In Investing Activities	**13,921,547,273**	(3,932,416,297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	**31,026,654**	34,385,917
Total Cash Outflows	**31,026,654**	34,385,917
Net Cash Used In Financing Activities	**(31,026,654)**	(34,385,917)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**164,912,227**	(1,135,866,156)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	**(11,218)**	25,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,149,474,488**	2,285,315,095
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,314,375,497**	1,149,474,488

The notes on pages 11 to 78 form part of these financial statements.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2020
(In Philippine Peso)

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual Amounts
	Original	Final		
		(1)	(2)	(3) = (1) - (2)
RECEIPTS				
Tax Revenue	3,700,000,000	622,796,000	467,934,245	154,861,755
Business Income	462,250,000	207,691,000	169,953,874	37,737,126
Service Income	4,971,000	1,486,000	1,494,487	(8,487)
Other Income	4,808,000	6,382,000	4,622,228	1,759,772
Other Sources of Fund	0	1,069,254,000	881,670,521	187,583,479
	4,172,029,000	**1,907,609,000**	**1,525,675,355**	**381,933,645**
PAYMENTS				
Personnel Services	526,265,000	443,525,000	389,751,466	53,773,534
Maintenance and Other Operating Expenses	762,744,900	617,020,114	395,464,689	221,555,425
Capital Outlay	2,841,564,000	743,220,000	703,115,031	40,104,969
Debt Payment	32,937,000	32,937,000	31,026,654	1,910,346
Finance Cost	8,518,100	7,746,886	6,317,515	1,429,371
	4,172,029,000	**1,844,449,000**	**1,525,675,355**	**318,773,645**
NET RECEIPTS/PAYMENTS	**0**	**63,160,000**	**0**	**63,160,000**

The notes on pages 11 to 78 form part of these financial statements.

1. GENERAL/CORPORATE INFORMATION

The Tourism Infrastructure and Enterprise Zone Authority (TIEZA), formerly known as Philippine Tourism Authority (PTA), is a corporation attached to the Department of Tourism (DOT) for purposes of program and policy coordination pursuant to Section 63 of Republic Act (RA) No. 9593, otherwise known as "The Tourism Act of 2009", which took effect on August 13, 2009. Its mandates are as follows:

a. To designate, regulate, and supervise the Tourism Enterprise Zones (TEZs) established under RA No. 9593;

b. To develop, manage, and supervise tourism infrastructure projects in the country;

c. To supervise and regulate the cultural, economic, and environmentally sustainable development of TEZs toward the primary objective of encouraging investments therein;

d. To ensure strict compliance of the TEZ operator with the approved development plan by imposing penalties for failure or refusal of the tourism enterprises to comply with the approved development plan which shall also be considered a violation of the terms of accreditation; and

e. To continue the previously exercised functions of PTA under Presidential Decree (PD) No. 564 not otherwise inconsistent with the other provisions of RA No. 9593. It shall, however, cease to operate the Duty Free Philippines.

In addition to its mandate to regulate and supervise TEZs, TIEZA shall likewise be deemed a government infrastructure corporation under the provisions of Executive Order No. 292, otherwise known as the Administrative Code of 1987.

The powers and functions of TIEZA are exercised by a Board of Directors composed of the:

a. DOT Secretary as Chairperson;

b. TIEZA Chief Operating Officer (COO) as Vice-Chairperson;

c. Tourism Promotions Board (TPB) COO as Member;

d. Department of Public Works and Highways (DPWH) Secretary as Member;

e. Department of Environment and Natural Resources (DENR) Secretary as Member;

f. Department of the Interior and Local Government Secretary (DILG) as Member;

g. Mindanao Development Authority (MDA) Chairperson as Member; and

h. Five representative directors to be appointed by the President upon the recommendation of the Tourism Congress from a list of three nominees coming from its members, from each of the following sectors:

   - Tourism estate development and management services;
   - Accommodation enterprises;
   - Air, land, and sea tourism transport services;
   - Travel and tours enterprises; and
   - Other accredited tourism enterprises.

The Secretaries of the DPWH, the DENR, and the DILG shall each designate a permanent representative in the Board who must possess relevant experience and whose position must be at least Assistant Secretary or equivalent rank. The permanent representative should be duly authorized in writing to act on behalf of the Secretary in his or her absence.

Sources of Revenue

Funds for operations, investments, and programs of TIEZA come from the following:

a. 50 per cent of the proceeds from travel tax collections. Five per cent of TIEZA share shall be earmarked for the development of historic, cultural, religious and heritage sites, and prime tourist destinations. Another five per cent shall be earmarked for the development of eco-tourism sites in depressed provinces with strong tourism potentials;

b. Reasonable share from the collections of the Office of Tourism Resource Generation, as determined by the DOT under Section 16 of RA No. 9593;

c. Income from projects managed by TIEZA;

d. One-third (1/3) of the proceeds from back taxes to be paid under Section 39 of RA No. 9593;

e. Unallocated portion of the Tourism Promotions Fund under Section 55 of RA No.9593;

f. One-third (1/3) of the five per cent tax on gross income earned by new tourism enterprises under Section 86 of RA No. 9593;

g. Subsidies or grants from local and foreign sources; and

h. Other sources of funds.

Collection and Allocation of Travel Taxes

TIEZA is the principal agency responsible for the timely, effective, and efficient collection of travel taxes. In pursuance thereof, TIEZA stations itself in strategic areas in all international airports, including final check areas, to ensure compliance with travel tax requirements by departing passengers.

The amount of travel taxes collected by TIEZA is distributed as follows:

Agency	Percentage
TIEZA	50
CHED	40
NCCA	10

TIEZA retains its share and remits to the National Treasury, on a quarterly basis, the balance of travel taxes pertaining to the Commission on Higher Education (CHED) and the National Commission for Culture and the Arts (NCCA).

The agency's registered office is 6th and 7th floors, Tower 1, Double Dragon Plaza, Double Dragon Meridian Park, Macapagal Avenue corner EDSA Extension, 1302 Bay Area, Pasay City, Philippines.

The agency's Financial Statements were approved and authorized for issue by the Board of Directors on June 17, 2021.

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

2.1 Statement of Compliance

The financial statements of the Authority were prepared in compliance with the International Public Sector Accounting Standards (IPSAS) prescribed by the Commission on Audit through COA Resolution No. 2020-001 dated January 9, 2020.

2.2 Basis of Preparation of Financial Statements

The financial statements of the Authority were prepared on historical cost basis unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Functional and Presentation Currency

The financial statements are presented in Philippine Peso (P) which is also the Authority's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements are prepared using the accrual basis in accordance with the IPSAS.

3.2 Combination

Combined Entities

The financial statements reflect the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the Authority and all its controlled entities.

Controlled Entities

The controlled entities are those entities (including special purpose entities) over which the controlling entity has the power to govern their financial and operating policies. The controlled entities are fully consolidated from the date on which control is transferred to the controlling entity. They are de-consolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains and losses on transactions between members of the group are eliminated in full.

The accounting policies of the controlled entities are consistent with the policies adopted by the controlling entity.

The controlled entities are the following:

1. Balicasag Island Dive Resort
2. Banaue Hotel and Youth Hostel
3. Club Intramuros Golf Course
4. Gardens of Malasag Eco-Tourism Village
5. Zamboanga Golf Course and Beach Park

3.3 Financial Instruments

a. Financial Assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 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. TIEZA determines the classification of its financial assets at initial recognition.

TIEZA's financial assets classified as loans and receivables include cash and cash equivalents and receivables.

Subsequent Measurement

The measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the Statement of Financial Position at fair value with changes in fair value recognized in surplus or deficit.

Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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.

Held-to-maturity

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

The Authority's policy on various investments held which will mature in five to 25 years from the date of acquisition are classified as financial assets that are held to maturity.

Derecognition

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

- the contractual rights to the cash flows from the financial asset expired or waived; and

- TIEZA 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.

Impairment of Financial Assets

TIEZA 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:

- The debtors or a group of debtors are experiencing significant financial difficulty;

- Default or delinquency in interest or principal payments;

- The probability that debtors will enter bankruptcy or other financial reorganization; and

- 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

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. TIEZA 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.

TIEZA's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are 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.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the combined statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.4 Inventories

Inventories are measured at cost upon initial recognition. After initial recognition, inventories are measured at the lower of cost and net realizable value. Cost is determined using the average cost flow method.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as expense when deployed for utilization or consumption in the ordinary course of operations of TIEZA.

3.5 Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in surplus or deficit when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

3.6 Investment in Associates

An associate is an entity over which the Authority has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. Any excess of the cost of acquisition over the Authority's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investments and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Authority's share of the fair values of the identifiable net assets of the associate at the date of acquisition, i.e., discount on acquisition is immediately recognized in profit or loss in the period of acquisition.

The results of operations and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statements of financial position at cost and adjusted thereafter to recognize the Authority's share of the profit or loss and other comprehensive income of the associate. When the Authority's share of losses of an associate exceeds the Authority's interest in that associate, the Authority discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Authority has incurred legal or constructive obligations or made payments on behalf of the associate.

The Authority's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Authority's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Authority discontinues using the equity method from the date the investment ceases to be an associate, or when the investment is classified as held for sale. When the Authority retains interest in the former associate and the retained interest is a financial asset, the Authority measured the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IPSAS 29 Financial Instruments: Recognition and Measurement. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of gain or loss on disposal of the associate. In addition, the Authority accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Authority reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

The Authority's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the Authority's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The investment in associate is derecognized upon disposal or when no future economic benefits are expected to arise from the investment. Gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the investment in associate and is recognized in profit or loss.

3.7 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part 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 servicing of an investment property.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives.

The estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

3.8 Property and Equipment

Recognition

An item is recognized as property and equipment (PE) if it meets the characteristics and recognition criteria as a PE.

The characteristics of PE are as follows:

a. tangible items;

b. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

c. are expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

a. it is probable that future economic benefits or service potential associated with the item will flow to the entity;

b. the cost or fair value of the item can be measured reliably; and

c. the cost is at least P15,000.

Measurement at Recognition

An item recognized as PE is measured at cost.

A PE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

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

Cost includes the following:

a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

b. expenditure that is directly attributable to the acquisition of the items; and

c. 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.

Measurement after Recognition

After recognition, all PE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PE are required to be replaced at intervals, TIEZA 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 PE 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.

Depreciation

Each part of an item of PE 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.

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 PE is available for use on or before the 15^{th} of the month. However, if the PE is available for use after the 15^{th} of the month, depreciation is for the succeeding month.

Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for TIEZA operation.

Estimated useful life

TIEZA uses the life span of PE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Residual value

TIEZA uses a residual value equivalent to 10 per cent of the cost of the PE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

TIEZA derecognizes items of PE 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.

3.9 Leases

TIEZA as a Lessee

Operating Lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to TIEZA. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

TIEZA as a Lessor

Operating Lease

Leases in which TIEZA does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PE are applied to similar assets leased by the entity.

3.10 Provisions

Provisions are recognized when TIEZA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where TIEZA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

Contingent Liabilities

TIEZA does not recognize a contingent liability but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Assets

TIEZA does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of TIEZA in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.11 Change in Accounting Policies and Estimates

TIEZA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

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

TIEZA 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.

3.12 Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.13 Revenue from Non-exchange Transactions

Recognition and measurement of assets from non-exchange transactions

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

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

- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As TIEZA 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.

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.

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.

Taxes

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

Fees and fines not related to taxes

TIEZA recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenue is recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Gifts and donations

TIEZA recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

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

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

Transfers

TIEZA 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.

Services in-kind

Services in-kind are 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.

Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to TIEZA and can be measured reliably.

3.14 Revenue from Exchange Transactions

Measurement of Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of Services

TIEZA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

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

Dividends

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

Interest Income

Interest income is recognized as it accrues on the time proportionate basis taking into account the principal amount outstanding and the effective interest rate.

Rental Income

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

3.15 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. Explanatory comments are provided in the Note 29 of this report.

3.16 Impairment of Non-Financial Assets

Impairment of cash-generating assets

At each reporting date, TIEZA assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, TIEZA estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, TIEZA estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

Impairment of non-cash-generating assets

TIEZA assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, TIEZA estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. TIEZA classifies assets as cash-generating assets when those assets are held with the primary objective of generating a commercial return. Therefore, non-cash-generating assets would be those assets from which TIEZA does not intend (as its primary objective) to realize a commercial return.

3.17 Service Concession Arrangements

TIEZA analyzes all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, TIEZA recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, TIEZA also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

3.18 Employee Benefits

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

TIEZA 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.

3.19 Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is the amount of tax due which is computed based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Authority expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

3.20 Measurement Uncertainty

The preparation of financial statements in conformity with IPSAS 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 revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated employee benefits, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are 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. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on Hand	**12,435,725**	91,659,496
Cash in Bank – Local Currency	**1,301,756,936**	1,057,657,660
Cash in Bank – Foreign Currency	**182,836**	157,332
	1,314,375,497	1,149,474,488

Cash on Hand includes cash with collecting officers and petty cash fund.

Cash in Bank – Foreign Currency includes dollar savings deposit amounting to $3,306 and $3,107 as at December 31, 2020 and 2019, respectively, which were translated at bank closing rate of P55.304 and P50.635, respectively.

TIEZA main office and entities maintain combo, current, and savings accounts with the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP).

5. INVESTMENTS

5.1 Current Investments – Investment in Time Deposits

Investments represents placement in Time Deposits with DBP and LBP for a period of 91 days or more amounting to P400.440 million and P14.724 billion for CYs 2020 and 2019, respectively.

On March 11, 2020, the amount of P877.560 million was remitted to the Tourism Promotions Board (TPB). This amount represents the net proceeds from the sale of Hilaga Property and the corresponding share of TPB from the interest income earned therefrom.

The significant decrease of investments was due to pre-termination of time deposits during the year for the remittance of P12 billion to the National Government pursuant to the Bayanihan to Heal as One Act as stated in the letter dated April 1, 2020 from the Secretary of Finance.

5.2 Financial Assets – Held to Maturity

	2020	2019
Investment in Bonds – Local	**752,241,600**	1,227,241,600
Other Investment and Marketable Securities	**10,036,405**	10,036,405
	762,278,005	1,237,278,005

Investment in Bonds represents placements in bonds with the Bureau of the Treasury (BTr) and the DBP with interest rates ranging from 3.625 per cent to 4.625 per cent per annum that will mature from five to 25 years from the date of acquisition.

Sustainability Bond acquired in CY 2019 amounting to P475 million was reclassified to current asset that will mature on November 11, 2021.

Other Investment and Marketable Securities consists of money invested by TIEZA in the following stocks:

	2020	2019
Leyte Park Hotel	**86,989,838**	86,989,838
Rafols Hotel Corporation	**43,000,000**	43,000,000
Balesin Resort Development Corporation	**20,000,000**	20,000,000

	2020	2019
Argao Development Corporation	**19,700,000**	19,700,000
Gulf Resorts Club, Inc.	**11,250,000**	11,250,000
Marbella Club, Inc.	**10,000,000**	10,000,000
Duty Free Philippines	**8,235,065**	8,235,065
Manila Electric Company	**865,790**	865,790
Baguio Country Club	**752,000**	752,000
Wack-Wack Golf and Country Club	**150,000**	150,000
Philippine Long Distance Telephone Company	**33,550**	33,550
	200,976,243	200,976,243
Allowance for Probable Losses	**(190,939,838)**	(190,939,838)
	10,036,405	10,036,405

6. RECEIVABLES

This account consists of the following:

	2020		2019 (As Restated)	
	Current	**Non-Current**	Current	Non-Current
Accounts Receivable	**86,300,618**	**12,043,421**	343,436,800	11,091,531
Allowance for Impairment loss	**(45,714,212)**	**(7,782,529)**	(39,889,524)	(9,889,357)
Net Value	**40,586,406**	**4,260,892**	303,547,276	1,202,174
Loans Receivable - Others	**0**	**146,858,697**	0	146,858,697
Allowance for Impairment loss	**0**	**(146,858,697)**	0	(146,858,697)
Net Value	**0**	**0**	0	0
Inter-Agency Receivables, net	**0**	**273,148,151**	0	132,789,218
Interest Receivable, net	**7,179,186**	**0**	249,958,861	0
Other Receivables, net	**393,903**	**185,186,613**	586,558	184,466,512
	48,159,495	**462,595,656**	554,092,695	318,457,904

Accounts Receivable includes the P15.038 million receivables from former TIEZA entities that have been turned over to the Local Government Units (LGUs). These accounts have been requested for write off with the Commission on Audit (COA). However, it was returned due to the issuance of COA Circular No. 2016-015 and COA Resolution No. 2016-022 both dated December 19, 2016.

Loans Receivable – Others pertains to the receivable from Marbella Club, Inc. with principal amount of P62.596 million since May 8, 1992 and the interest of P84.262 million computed from October 3, 2002 to present, for a total of P146.859 million, which is fully impaired due to the dormancy of the account.

Interest Receivable pertains to interest earned from short-term investments but not yet credited by the bank and the accrued interest in the amount of P3.823 million on the loan contract entered into by and between the Philippine Tourism Authority (PTA), now TIEZA, and Metro Cebu Water District (MCWD), net of allowance for impairment amounting to P3.822 million for both CYs 2020 and 2019.

6.1 Inter-Agency Receivables

	2020	2019 (As Restated)
Due from LGUs	**149,055,315**	190,043,782
Allowance for Impairment	**(86,869,299)**	(82,471,745)
Net Value	**62,186,016**	107,572,037
Due from NGAs	**250,717,857**	26,209,682
Allowance for Impairment	**(46,321,579)**	(9,741,508)
Net Value	**204,396,278**	16,468,174
Due from GCs	**109,272,932**	109,272,932
Allowance for Impairment	**(105,965,350)**	(105,913,307)
Net Value	**3,307,582**	3,359,625
Due from Subsidiaries/Joint Ventures/Associates/Affiliat	**48,980,155**	50,444,318
Allowance for Impairment	**(45,721,880)**	(45,054,936)
Net Value	**3,258,275**	5,389,382
	273,148,151	132,789,218

Due from LGUs and Due from NGAs represent funds transferred to LGUs and NGAs for social infrastructure projects. Upon completion of the infrastructure projects and submission of liquidation documents by concerned LGUs and NGAs, the corresponding expense accounts are recorded in the books of TIEZA.

Due from GCs substantially pertains to the amount of P26.410 million set up as receivable from DBP for the case filed by TIEZA against Global-V Builders (CA GR No. 115346). The amount pertains to TIEZA's funds deposited with DBP which were garnished for the account of Global-V Builders as a result of the judgment rendered by the Construction Industry Arbitrary Commission (CIAC) in favor of Global-V Builders in the collection case filed by the latter against TIEZA. A petition for review of the CIAC decision was filed by TIEZA with the Court of Appeals (CA). TIEZA, through the Office of the Solicitor General (OSG), filed a Petition for Certiorari under Rule 65 of the Rules of Court with prayer for the issuance of a Temporary Restraining Order and Writ of Preliminary Injunction dated June 19, 2020. Also, this account includes receivable from LBP in the amount of P21.868 million representing the amount paid to Philippine Golf Development and Equipment, Inc. to serve the Notice of Garnishment issued by

RTC Muntinlupa City Branch 203. This account also includes the amount of P56.678 million loan balance including interest for the construction of Mactan Cebu International Airport passenger terminal building from 1993 to 2008.

6.2 Other Receivables

	2020		2019 (As Restated)	
	Current	**Non-Current**	Current	Non-Current
Disallowances/Charges	**0**	**181,546,121**	0	181,558,121
Due from Officers and	**454,140**	**0**	654,559	0
Allowance for Impairment	**(60,237)**	**0**	(68,001)	0
Net Value	**393,903**	**0**	586,558	0
Due from NGOs/POs	**0**	**21,770,236**	0	21,770,236
Allowance for Impairment	**0**	**(19,753,212)**	0	(19,753,212)
Net Value	**0**	**2,017,024**	0	2,017,024
Other Receivables	**0**	**78,151,829**	0	77,365,305
Allowance for Impairment	**0**	**(76,528,361)**	0	(76,473,938)
Net Value	**0**	**1,623,468**	0	891,367
	393,903	**185,186,613**	586,558	184,466,512

Disallowances/Charges includes losses amounting to P132 million incurred by TIEZA from placements in Treasury Notes which were the subject of a complaint filed before the Department of Justice against the former General Manager, et al. for violation of the Anti-Graft and Corrupt Practices Act. A case was filed with the Ombudsman, docketed as OMB 90-02018.

Due from Officers and Employees represents cash advances arising from travel, cashier's shortages, inventory losses/shortages, property accountability, and communication charges.

Due from NGOs/POs represents financial assistance to Aguman Ding Kapampangan, Inc. and Tubbataha Reefs Natural Park, sponsorship fee payment to Philippine Surfing Federation Inc., and the Authority's garnished account by Philippine National Bank (PNB).

Other Receivables includes receivables from disbursing officers and employees who are no longer active employees, non-trade receivables from Aklan Electric Cooperative, Cuisine of the Philippines and Gulf Resort, Inc., and other receivables from TIEZA entities.

7. INVENTORIES

	2020	2019
Food Supplies Inventory	**1,496,967**	2,250,348
Other Supplies Inventory	**12,668,453**	15,489,297
	14,165,420	17,739,645

The *Food Supplies Inventory* account pertains to goods purchased intended for sale at the restaurant operated by the Authority in different entities.

The *Other Supplies Inventory* account represents the total of balances of the Authority's office supplies, accountable forms, drugs and medicines and other supplies inventory.

8. OTHER ASSETS

	2020		2019	
	Current	**Non-Current**	Current (As Restated)	Non-Current
Prepayments	**132,522,847**	**90,441,281**	159,697,626	93,531,640
Advances	**130,414**	**0**	1,036,215	0
Deposits	**0**	**42,841,679**	0	53,290,023
Other Assets	**0**	**2,065,900**	0	2,160,821
	132,653,261	**135,348,860**	160,733,841	148,982,484

Prepayments includes amounts advanced to contractors for infrastructure projects as authorized in RA No. 9184. It also includes rent for a period of 50 years paid to San Isidro-Libertad, San Remigio Comprehensive Reform Beneficiaries Multi-Purpose Cooperative, Inc. (SLS-CARBMCO), a duly registered farmers' cooperative, on a 250-hectare agricultural land located at Samal Island, Davao Del Norte. This land was used for tourism estate development purposes under the Tourism Master Plan as per Administrative Order No. 188. Likewise included in this account is the rent paid to Clark Development Corporation (CDC), a government-owned and controlled corporation, for the lease and development of an area of 20 hectares at Sitio San Martin, Barangay San Vicente, Sacobia, within the Clark Special Economic Zone (CSEZ), for the purpose of constructing and developing a wakeboarding facility and tourism sports complex. Pursuant to the proposal of CDC President and Chief Operating Officer (COO), which was accepted by TIEZA COO, the area was changed/moved to the Sports Training and Recreation Center located in the Clark Freeport Zone near Sacobia River. It also includes Withholding Tax at Source account.

Deposits represents guarantee deposits and advance payments to various lessors and rental deposits made for the use of public utilities. The account includes guarantee deposit collectible from Alpha Insurance & Surety Company, Inc. amounting P10.545 million representing the final award and cost of arbitration (Case of Global Builders Co., Inc. vs. TIEZA-CIAC Case No. 28-0012). However, this was refunded from the Alpha Insurance & Surety Company, Inc. on March 12, 2020 considering that the same amount was garnished by the Court through the Development Bank of the

Philippines in view of Decision dated October 3, 2019 rendered by the Supreme Court that affirmed the Amended Decision of the Court of Appeals dated April 6, 2015 and its Resolution dated July 22, 2015 in CA-GR SP No. 131024, upholding the Final Award of the Arbitral Tribunal dated July 16, 2013 in CIAC Case 28-2012 in favor of the claimant, Global-V Builder Co. This also includes deposits paid to DD Meridian Park Development Corp., the lessor of the new office of TIEZA amounting to P20.6 million equivalent to the last three months' basic rent for the last year of the lease term. This will answer and stand as security for the proper and due performance of all the Lessee's obligations under the contract and shall be returned without interest, within two months from the date the Lessee has completely and satisfactory vacated and delivered the Leased Premises to the Lessor after the expiration of the Contract.

Other Assets includes unserviceable property, equipment, and inventory for disposal.

9. INVESTMENT IN ASSOCIATE

Investment in Associate represents 20 per cent share of TIEZA's investment in Boracay Island Water Company, Inc. (BIWCI) that are accounted for using the equity method.

	2020	2019
Carrying value, January 1	**181,126,882**	165,689,956
Addition in Capital Stock	**50,000,000**	0
Share in Net (Loss) Income	**(23,498,077)**	15,436,926
	207,628,805	181,126,882

In 2020, BIWCI intends to increase its Authorized Capital Stock to strengthen their equity base and to finance its capital expenditures. Thus, they intended to issue 2.500 million redeemable preferred shares with par value of P100 each.

Pending approval of the Securities and Exchange Commission (SEC) for the intended increased capitalization, and to maintain its 20 per cent ownership, TIEZA committed to subscribe 500,000 redeemable Preferred Shares at P100 per share amounting to P50 million. The payment of which, as agreed by both parties, will be from the future receivables of TIEZA from BIWCI, such as the five per cent share in Gross Revenue and one-peso Tourist Arrival Incentive, and dividends, if any (see Note 17).

For CY 2020, the operation of BIWCI resulted to a net loss due to the spread of COVID-19 virus which severely affected the tourism industry in Boracay Island and as a result of various health measures implemented by the Government to stop the spread of the virus such as community quarantine and prohibition of non-essential travel.

10. INVESTMENT PROPERTY

This account consists of:

	2020	2019
Investment Property, Land	**169,783,545**	169,783,545
Investment Property, Building	**151,016,478**	158,484,490
	320,800,023	328,268,035

Reconciliation of Investment Property

Beginning balance, at cost	**460,206,239**	460,206,239
Accumulated Depreciation	**(139,406,216)**	(131,938,204)
	320,800,023	328,268,035

	2020	2019
Rental Revenue from Investment Property	**22,615,804**	23,814,830
Direct Operating Expenses arising from Investment Property that generates Rental Revenue	**(1,320,475)**	(1,069,303)
	21,295,329	22,745,527

This account mainly consists of the cost of TIEZA's real properties that are held for capital appreciation purposes. Also included in this account is the Luneta Boardwalk rented to China Oceanis Pte. Ltd.

11. PROPERTY AND EQUIPMENT

This account consists of:

	Land	Land and Leased Asset Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Construction in Progress	Total
Carrying Amount, January 1, 2020	**3,593,360,109**	**230,388,795**	**240,623,071**	**346,402,500**	**163,231,084**	**824,739,983**	**5,398,745,542**
Additions/Acquisitions	**0**	**41,457,006**	**369,356,475**	**37,229,949**	**26,181,495**	**373,905,938**	**848,130,863**
Total	**3,593,360,109**	**271,845,801**	**609,979,546**	**383,632,449**	**189,412,579**	**1,198,645,921**	**6,246,876,405**
Disposals/Turned-Over to LGUs and NGAs	**0**	**0**	**(55,245,568)**	**0**	**(177,591)**	**0**	**(55,423,159)**
Depreciation	**0**	**(30,793,736)**	**0**	**(19,532,791)**	**(28,000,385)**	**0**	**(78,326,912)**
Impairment Loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reclassifications/ Adjustments	**0**	**7,211,696**	**0**	**(13,816,339)**	**24,352,515**	**(402,499,063)**	**(384,751,191)**
Carrying Amount, December 31, 2020	**3,593,360,109**	**248,263,761**	**554,733,978**	**350,283,319**	**185,587,118**	**796,146,858**	**5,728,375,143**

	Land	Land and Leased Asset Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Construction in Progress	Total
Gross Cost	**3,593,360,109**	**771,711,103**	**240,623,071**	**980,584,379**	**411,782,690**	**824,739,983**	**6,822,801,335**
Additions	**0**	**41,457,006**	**369,356,475**	**37,229,949**	**26,181,495**	**373,905,938**	**848,130,863**
Disposals – Cost	**0**	**0**	**(55,245,568)**	**0**	**(1,162,940)**	**0**	**(56,408,508)**
Reclassifications – Cost	**0**	**(12,020)**	**0**	**(691,707)**	**24,527,502**	**(402,499,063)**	**(378,675,288)**
Accumulated Depreciation	**0**	**(549,971,069)**	**0**	**(666,013,301)**	**(275,640,793)**	**0**	**(1,491,625,163)**
Accumulated Impairment Loss	**0**	**(14,921,259)**	**0**	**(826,001)**	**(100,836)**	**0**	**(15,848,096)**
Carrying Amount, December 31, 2020	**3,593,360,109**	**248,263,761**	**554,733,978**	**350,283,319**	**185,587,118**	**796,146,858**	**5,728,375,143**

	Land	Land and Leased Asset Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Construction in Progress	Total
Carrying Amount, January 1, 2019	3,593,360,109	189,159,293	160,166,427	346,071,561	166,526,882	909,689,210	5,364,973,482
Additions/Acquisitions	0	72,247,777	398,034,203	20,090,658	32,994,581	859,847,756	1,383,214,975
Total	3,593,360,109	261,407,070	558,200,630	366,162,219	199,521,463	1,769,536,966	6,748,188,457
Disposals/Turned-Over to LGUs and NGAs	0	(160,703)	(286,196,224)	(967,204)	(1,371,720)	(634,605,566)	(923,301,417)
Depreciation	0	(31,081,753)	0	(18,286,940)	(35,311,826)	0	(84,680,519)
Impairment Loss	0	0	0	(270,580)	0	0	(270,580)
Reclassifications/ Adjustments	0	224,181	(31,381,335)	(234,995)	393,167	(310,191,417)	(341,190,399)
Carrying Amount, December 31, 2019	3,593,360,109	230,388,795	240,623,071	346,402,500	163,231,084	824,739,983	5,398,745,542

Gross Cost	3,593,360,109	699,742,324	160,166,427	962,544,464	383,338,606	909,689,210	6,708,841,140
Additions	0	72,247,777	398,034,203	20,090,658	32,994,581	859,847,756	1,383,214,975
Disposals – Cost	0	(278,997)	(286,196,224)	(1,939,906)	(4,685,292)	(634,605,566)	(927,705,985)
Reclassifications – Cost	0	0	(31,381,335)	(110,837)	134,796	(310,191,417)	(341,548,793)
Accumulated Depreciation	0	(526,401,050)	0	(633,355,878)	(248,450,771)	0	(1,408,207,699)
Accumulated Impairment Loss	0	(14,921,259)	0	(826,001)	(100,836)	0	(15,848,096)
Carrying Amount, December 31, 2019	3,593,360,109	230,388,795	240,623,071	346,402,500	163,231,084	824,739,983	5,398,745,542

This account includes cost of property and equipment of the Authority, including the branch offices, for use in current operation as well as properties considered as non-operational. It also represents structures constructed to promote, develop and improve tourism in various regions as part of the mandate of the Authority. Included also are the costs of the completed projects for turn-over, awaiting for the acceptance of the different NGAs or LGUs.

Machinery and Equipment account consists of Office Equipment, Information technology (IT) Equipment including the Online and On-site Travel Tax Privilege Application and Payment Systems (OOTTPAPS), Furniture and Fixtures, Motor Vehicles, Watercrafts and Other Machineries and Equipment for use in the operation of the Authority.

Construction-in-Progress consists of infrastructure projects implemented by the Authority for various proponents pertaining to land improvement, infrastructure assets and building and other structures. These projects are to be turned over to concerned LGUs after completion.

12. SERVICE CONCESSION ASSETS

TIEZA entered into a Joint Venture Agreement (JVA) with the Manila Water Company, Inc. (MWCI) on April 21, 2009. As a result of the agreement, Boracay Island Water Company, Inc. (BIWCI), the Joint Venture Company, was created for the development, financing, design, engineering, construction, upgrade, testing, commissioning, operation, management, and maintenance of the Boracay Waterworks and Sewerage System (BWSS) facilities and drainage facilities. It has an authorized capital stock of P300 million divided into three million shares with a par value of P100 each of which TIEZA owns 20 per cent (see Note 9). On December 17, 2009, a Concession Agreement was entered into between TIEZA and BIWCI for a period of 25 years.

The following are the salient features of the Concession Agreement of which BIWCI, as concessionaire, shall:

a. Assume all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. Such liabilities are: principal amount, interest expenses, and guarantee fee of the Japan International Cooperation Agency (JICA) loan. The parties acknowledged that the servicing of such liabilities shall be applied to the Concession Fee.

b. Pay TIEZA an amount equivalent to five per cent of the monthly gross revenue of the Concessionaire, inclusive of all applicable taxes which are for the account of the Concessionaire. Such payments shall be subject to adjustments based on the gross revenue of the Concessionaire as reflected in the annual audited financial statements.

c. On each year thereafter, pay to TIEZA an amount equal to the annual operating budget of TIEZA Regulatory Office provided such amount shall not exceed the figures stated in the following schedule:

Year	Maximum Amount
2010	15,000,000
2011	15,000,000
2012	20,000,000

For the year 2013 and beyond, the Concessionaire shall pay TIEZA no more than P20 million, subject to annual Consumer Price Index (CPI) adjustments.

In the event the Concessionaire does not make timely payment of the concession fee, the equivalent of such unpaid amount may be drawable from the performance security posted by MWCI amounting to US $2.5 million to secure MWCI's and the Concessionaire's performance of their respective obligations under the JVA.

d. The Concessionaire shall pay TIEZA an incentive fee pegged at one-peso per tourist, local and foreign, entering the Service Area as validated by the Malay Municipal Tourism Office on the 15th day of the following year.

The following are the details of Service Concession Assets:

	Sewer and Water Supply System - TIEZA	**Other Service Concession Assets – BIWCI**	**Total**
Carrying Amount, Beginning	**368,970,472**	**1,547,496,274**	**1,916,466,746**
Depreciation	**(17,701,228)**	**(96,718,517)**	**(114,419,745)**
Reclassifications/Adjustments	**1,061**	**0**	**1,061**
Carrying Amount, December 31, 2020	**351,270,305**	**1,450,777,757**	**1,802,048,062**
Gross Cost	**877,814,505**	**1,934,370,342**	**2,812,184,847**
Accumulated Depreciation	**(526,544,200)**	**(483,592,585)**	**(1,010,136,785)**
Carrying Amount, December 31, 2020	**351,270,305**	**1,450,777,757**	**1,802,048,062**

	Sewer and Water Supply System - TIEZA	Other Service Concession Assets – BIWCI	Total
Carrying Amount, January 1, 2019	386,671,818	1,644,214,791	2,030,886,609
Depreciation	(17,701,346)	(96,718,517)	(114,419,863)
Reclassifications/Adjustments	0	0	0
Carrying Amount, December 31, 2019	368,970,472	1,547,496,274	1,916,466,746
Gross Cost	877,814,505	1,934,370,342	2,812,184,847
Accumulated Depreciation	(508,844,033)	(386,874,068)	(895,718,101)
Carrying Amount, December 31, 2019	368,970,472	1,547,496,274	1,916,466,746

The following are the details of Concession Revenue (see Note 15):

	2020	2019
Unearned Service Concession, Beg	**1,547,496,274**	1,644,214,791
Earned Concession Revenue	**(96,718,517)**	(96,718,517)
Unearned Service Concession, End	**1,450,777,757**	1,547,496,274

13. FINANCIAL LIABILITIES

	2020		2019	
	Current	**Non-Current**	Current	Non-Current
Accounts Payable	**171,975,423**	**0**	211,077,776	0
Due to Officers and Employees	**27,764,455**	**0**	30,073,148	0
Interest Payable	**1,343,090**	**0**	1,611,589	0
	201,082,968	**0**	242,762,513	0
Loans Payable – Foreign	**30,682,468**	**122,729,870**	30,680,205	153,401,024
	231,765,436	**122,729,870**	273,442,718	153,401,024

Loans Payable – Foreign represents the balance of loan from JICA under Loan Agreement No. PH-P156 dated August 30, 1995. This loan was used to finance the Boracay Environmental Infrastructure Project under the Philippine Tourism Master Plan. It bears interest at a rate of 2.5 per cent per annum on principal allocated for construction and contingencies and 2.1 per cent per annum on principal allocated for consulting services. Repayment of loan is for a period of 20 years starting 2005. It is reported at fair value based on the foreign exchange rate at year-end.

14. INTER-AGENCY PAYABLES

	2020	2019
Due to NGAs	**152,053,415**	1,107,187,971
Due to BIR	**9,296,801**	13,003,407
Due to PhilHealth	**535,477**	465,659
Due to GCs	**468,234**	877,695,660
Due to Pag-IBIG	**459,961**	510,728
Due to GSIS	**429,666**	5,542,802
Due to LGUs	**111,771**	0
Due to SSS	**8,680**	0
	163,364,005	2,004,406,227

Due to National Government Agencies (NGAs) includes the shares on travel tax collections of Commission on Higher Education of 40 per cent and the National Commission for Culture and the Arts of 10 per cent for remittance to the Bureau of the Treasury for the account of these agencies (see Note 1). It also includes the amount due for remittance to other NGAs e.g., National Centennial Commission, National

Parks Development Committee, Presidential Management Staff, and Department of Tourism.

Due to Bureau of Internal Revenue (BIR) represents the amounts withheld from claims of officers and employees, contractors, and suppliers for remittance to the BIR.

Due to Government Corporations (GCs) represents obligations of TIEZA that is due and demandable by various GCs such as Government Service Insurance System (GSIS) pertaining to insurance premiums, Luzon International Premier Airport Development Corporation (LIPADC), Corregidor Foundation, Inc. (CFI) and Government Corporations Athletic Association, Inc. (GCAA). The significant decrease in CY 2020 was due to the remittance made to Tourism Promotions Board as disclosed in Note 5.

Due to GSIS/Pag-IBIG/PhilHealth represent amounts withheld from the salaries of officers and employees for remittance to GSIS, Home Development Mutual Fund (HDMF) and Philippine Health Insurance Corporation (PHIC), respectively.

Due to Local Government Units (LGUs) represents amounts due for remittance to LGUs e.g., real property tax due to pending legal cases and disputed assessments on various properties that were already reported condemned, donated, or being used by the LGU.

Due to Social Security System (SSS) represents contributions withheld on the salaries of Contract of Services personnel without the employer share to basically accommodate their remittance to SSS.

15. DEFERRED CREDITS/UNEARNED INCOME

	2020		2019	
	Current	**Non-Current**	Current	Non-Current
Deferred Credits	**96,718,517**	**1,354,059,239**	96,718,517	1,450,777,756
Unearned Income	**6,585,254**	**19,181,446**	7,088,501	19,379,713
	103,303,771	**1,373,240,685**	103,807,018	1,470,157,469

Deferred Credits are revenues recognized by the Authority, covered by Concession Agreement with Boracay Island Water Company, Inc. (BIWCI) which are amortized for 25 years (see Note 12).

Unearned Income are payments already received from various lessees, as follows:

	2020	2019
China Oceanis PTE, Ltd.	**10,537,500**	10,537,500
TIEZA Entities	**6,369,254**	6,872,501
Ekran Berhad	**4,986,000**	5,202,000
Petron Corporation	**2,050,670**	2,050,670
Marcosa S. Herzenstiel	**853,185**	853,185
Iloilo Convention Center	**683,880**	666,147

	2020	2019
Rosalina Luz Labota-Clubhouse	**250,000**	250,000
Boracay Waterworks and Sewerage System	**36,211**	36,211
	25,766,700	26,468,214

16. PROVISIONS

This account consists of Leave Benefits Payable that represents accrual of money value of earned leave credits of TIEZA Regular Employees amounting to P96.755 million and P88.983 million as of December 31, 2020 and 2019, respectively.

17. OTHER PAYABLES

TIEZA has payables not classified as financial liabilities to entities pertaining to employees' contributions to TIEZA Employees Association (TEA), Employees Cooperative of the Philippine Tourism Authority (ECOPT) and TIEZA Employees Welfare Fund (TEWF). This also includes Collective Negotiation Agreement (CNA) incentives and other compensation due to TIEZA employees amounting to P28.513 million and P33.730 million for CYs 2020 and 2019, respectively. The account also includes P47.268 million payable to BIWCI representing the unpaid portion for the subscription of 500,000 preferred shares at P100 (see Note 9). This amount will decrease upon receipt of the Authority's future receivables or dividends from BIWCI as stated under Section 1.02 of the Stock Subscription Agreement**.**

18. TRUST LIABILITIES

	2020	2019
Guaranty/Security Deposits Payable	**103,646,850**	101,756,728
Trust Liabilities	**21,865,459**	165,065,756
	125,512,309	266,822,484

Guaranty/Security Deposits Payable represents retention fees withheld from various contractors to guarantee performance of the project which are subject to refund upon the completion of the project.

Trust Liabilities represents amounts paid by the BIWCI for the annual operating budget of TIEZA Regulatory Office (TRO) from 2010 to 2020. During the year, the Authority started to transfer the accounts of TRO for the establishment and maintenance of a separate complete set of books, budgetary and financial reports applicable to TRO. Thus, the Authority transferred P150 million on September 14, 2020 as partial turn-over of their accounts.

19. TAX REVENUE

	2020	2019
Total Travel Tax Collection	**935,868,490**	7,131,019,890
CHED	**(374,347,396)**	(2,852,407,956)
NCCA	**(93,586,849)**	(713,101,989)
TIEZA	**467,934,245**	3,565,509,945

This account represents travel taxes collected, net of the shares of other government agencies pursuant to Section 72 of RA No. 9593.

Due to the pandemic brought about by the spread of COVID-19 virus, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases recommended outbound travel restrictions as early as March 2020 that resulted to a significant decrease in the travel tax collection for the year.

20. SERVICE AND BUSINESS INCOME

	2020	2019
Service Income		
Registration Fees	**1,494,487**	3,799,769
Business Income		
Service Concession Revenue	**150,723,265**	170,448,815
Interest Income	**136,089,106**	625,609,153
Rent Income	**45,909,001**	56,291,991
Other Business Income	**19,479,743**	45,374,820
Sales Revenue	**12,539,853**	49,263,018
Income from Hostels	**6,481,126**	25,767,198
Fines and Penalties	**4,586,607**	4,603,704
Share in Profit of Associates	**0**	15,436,926
	375,808,701	992,795,625
	377,303,188	996,595,394

TIEZA is the lessor under non-cancellable operating lease agreement with China Oceanis Pte. Ltd. and Premier Islands Management Corporation. These leases have terms of 25 years, with renewal options, and include annual escalation rate of 10 per cent and five per cent, respectively.

The future minimum lease receivable under these non-cancellable operating leases are as follows as of December 31:

	2020	2019
Within one year	**31,906,390**	31,721,205
After one year but not more than five years	**170,897,661**	167,527,345
More than five years	**195,986,927**	231,263,632

The total rental from these operating leases amounted to P30.758 million and P32.471 million in 2020 and 2019, respectively.

Share in Profit of Associates represents 20 per cent share of TIEZA's investment in BIWCI that are accounted for using the equity method (see Note 9).

The Service and Business Income of the Authority declined due to the effect of the COVID-19 pandemic. Operations of the Subsidiary Entities were suspended in light of the recommendations and pronouncements of the government. However, some of the entities were allowed to be used as temporary quarantine facility by the LGUs, such as the Banaue Hotel and Youth Hostel and Gardens of Malasag Eco-Tourism Village. The Authority, likewise, implemented lowered permit fees to one-peso for tourism enterprises to help the tourism industry to recover from the effect of the pandemic.

21. PERSONNEL SERVICES

Personnel Services

	2020	2019 (As Restated)
Salaries and Wages	**228,509,148**	225,727,818
Other Compensation	**85,672,176**	130,291,010
Personnel Benefits Contributions	**65,697,977**	64,356,385
Other Personnel Benefits	**18,172,147**	27,685,126
	398,051,448	448,060,339

21.1 Other Compensation

	2020	2019 (As Restated)
Other Bonuses and Allowances	**19,675,594**	59,533,945
Year End Bonus	**19,081,174**	19,066,309
Mid-year Bonus	**18,848,774**	18,436,053
Personnel Economic Relief Allowance (PERA)	**11,749,585**	11,632,572
Representation Allowance	**3,259,375**	3,259,625
Clothing/Uniform Allowance	**2,856,000**	2,932,794
Cash Gift	**2,449,500**	2,459,500
Productivity Incentive Allowance	**2,439,500**	2,452,000
Overtime and Night Pay	**1,515,186**	7,841,450
Transportation Allowance	**1,418,125**	1,434,762
Honoraria	**1,134,363**	534,000
Hazard Pay	**707,000**	0
Directors and Committee Members' Fees	**282,000**	384,000
Longevity Pay	**256,000**	324,000
	85,672,176	130,291,010

21.2 Personnel Benefits Contributions

	2020	2019
Provident/Welfare Fund	**34,181,010**	33,710,185
Retirement and Life Insurance Premiums	**27,270,180**	27,016,457
PhilHealth Contributions	**3,076,887**	2,466,543
Employees Compensation Insurance Premiums	**585,300**	582,900
Pag-IBIG Contributions	**584,600**	580,300
	65,697,977	64,356,385

21.3 Other Personnel Benefits

	2020	2019
Terminal Leave Benefits	**17,593,359**	27,267,607
Retirement Incentive	**400,000**	0
Other Personnel Benefits	**178,788**	417,519
	18,172,147	27,685,126

22. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2020	2019 (As Restated)
Professional Services	**151,169,240**	191,533,746
Taxes, Insurance Premiums and Other Fees	**32,703,283**	134,255,735
General Services	**32,042,111**	32,650,526
Supplies and Materials Expenses	**18,533,830**	46,504,022
Utility Expenses	**13,077,463**	20,708,337
Travelling Expenses	**7,860,816**	35,309,601
Communication Expenses	**6,567,457**	8,136,847
Repairs and Maintenance	**3,500,136**	8,643,388
Training Expenses	**2,579,258**	14,942,561
Confidential, Intelligence and Extraordinary Expenses	**79,565**	212,932
Demolition Expense	**0**	60,879
Other Maintenance and Operating Expenses	**240,098,568**	199,286,866
	508,211,727	692,245,440

22.1 Professional Services

	2020	2019
Other Professional Services	**95,048,439**	112,478,545
Consultancy Services	**32,913,356**	51,730,555
Auditing Services	**22,597,445**	26,213,646
Legal Services	**610,000**	1,111,000
	151,169,240	191,533,746

22.2 Taxes, Insurance Premiums and Other Fees

	2020	2019
Taxes, Duties and Licenses	**29,125,265**	130,978,364
Insurance Expenses	**2,534,074**	2,078,296
Fidelity Bond Premiums	**1,043,944**	1,199,075
	32,703,283	134,255,735

22.3 General Services

	2020	2019
Security Services	**29,978,691**	29,835,673
Janitorial Services	**2,063,420**	2,814,853
	32,042,111	32,650,526

22.4 Supplies and Materials Expenses

	2020	2019
Office Supplies Expenses	**6,779,071**	12,260,593
Accountable Forms Expenses	**4,196,372**	20,996,094
Fuel, Oil and Lubricants Expenses	**3,601,722**	6,122,168
Other Supplies and Materials	**3,109,449**	6,984,712
Drugs and Medicines Expenses	**847,216**	140,455
	18,533,830	46,504,022

22.5 Utility Expenses

	2020	2019
Electricity Expenses	**10,687,501**	16,019,450
Water Expenses	**1,842,343**	3,344,228
Gas/Heating Expenses	**547,619**	1,344,659
	13,077,463	20,708,337

22.6 Travelling Expenses

	2020	2019
Traveling Expenses-Local	**7,847,366**	33,141,886
Traveling Expenses-Foreign	**13,450**	2,167,715
	7,860,816	35,309,601

22.7 Communication Expenses

	2020	2019
Telephone Expenses	**3,543,793**	4,358,963
Internet Subscription Expenses	**2,542,850**	2,840,362
Postage and Courier Services	**469,858**	912,882
Cable, Satellite, Telegraph and Radio Expenses	**10,956**	24,640
	6,567,457	8,136,847

22.8 Repairs and Maintenance

	2020	2019
Transportation Equipment	**1,463,480**	2,909,479
Machinery and Equipment	**908,647**	2,351,588
Buildings and Other Structures	**634,029**	1,745,839
Land Improvements	**258,665**	1,559,110
Leased Assets Improvements	**148,900**	0
Furniture and Fixtures	**86,415**	77,372
	3,500,136	8,643,388

22.9 Training Expenses

Training Expenses comprises mainly of the cost of in-house trainings. This includes the continuous implementation of training programs for the conduct of leadership and management essential programs, personal leadership, customer service excellence workshop, strategic planning and business development, and Gender and Development (GAD) analysis to enhance technical competencies and continuous professional education of employees.

22.10 Other Maintenance and Operating Expenses

	2020	2019
Rent/Lease Expenses	**102,912,571**	97,390,131
Other Maintenance and Operating Expenses	**72,690,025**	69,223,396
Documentary Stamp Expenses	**51,902,307**	0
Advertising Expenses	**5,775,923**	20,920,617
Representation Expenses	**4,808,292**	6,929,982
Transportation and Delivery Expenses	**1,520,108**	541,907

	2020	2019
Membership Dues and Contributions to Organizations	**446,151**	442,355
Subscription Expenses	**43,191**	251,478
Printing and Publication Expenses	**0**	3,587,000
	240,098,568	199,286,866

Rent/Lease Expenses includes expenses for the lease of a privately-owned building to house the new office of TIEZA. TIEZA Board, per Resolution No. IV-C-1-31-01-13, authorized TIEZA Chief Operating Officer to undertake the necessary procedures for the lease of a privately-owned real estate to meet the requirements of the Authority for a new office space. A Contract of Lease was then entered into by TIEZA and DD – Meridian Park Development Corp., for the lease of 6th and 7th Floors of Tower 1, Double Dragon Plaza located at EDSA corner Macapagal Avenue, Pasay City for a period of five years from March 1, 2018 to February 28, 2023.

TIEZA is the lessee under non-cancellable operating lease agreement with DD – Meridian Park Development Corp. The lease has a term of five years, with renewal options, and include annual escalation rate of five per cent starting on the third year of the lease term.

The future minimum lease payments under this non-cancellable operating lease as of December 31 are as follows:

	2020	2019
Within one year	**90,678,542**	77,107,923
After one year but not more than five years	**111,207,923**	180,255,772
	201,886,465	257,363,695

Advertising Expenses includes promotional and marketing expenses paid for the promotion of various entities and projects of TIEZA as well as sponsorships to tourism-related activities.

Other Maintenance and Operating Expenses pertains to other miscellaneous operating expenses. This also includes payments made to DD Meridian Park Development Corp. for the Common Usage Service Area (CUSA) as indicated in the Lease Agreement dated October 24, 2017. This account also includes expenses for Staff Development Program that were incurred for various activities e.g., sports fest, National Women's Month celebration, TIEZA anniversary (mid-year employees' assembly), National Nutrition Month and the like. Also, expenses in the total amount of P2.785 million for the use of Banaue Hotel and Youth Hostel and Gardens of Malasag Eco-Tourism Village as a COVID-19 quarantine sites are included in this account.

23. FINANCIAL EXPENSES

This account consists of:

	2020	2019
Interest Expenses	**4,006,101**	4,956,308
Guarantee Fees	**1,700,864**	1,922,134
Bank Charges	**183,001**	215,949
Other Financial Charges	**133,093**	319,661
	6,023,059	7,414,052

24. DIRECT COSTS

This pertains to the amount of inventory used by all TIEZA Entities for their operations as follows:

	2020	2019
Beginning Inventory	**2,250,348**	2,487,667
Add: Purchases	**4,787,535**	20,159,295
Goods Available for Sale	**7,037,883**	22,646,962
Less: Ending Inventory	**1,496,967**	2,250,348
	5,540,916	20,396,614

25. NON-CASH EXPENSES

	2020	2019 (As Restated)
Depreciation:		
Service Concession Assets	**114,419,745**	114,419,863
Machinery and Equipment	**28,000,385**	35,311,826
Land and Leased Assets Improvements	**30,793,736**	31,081,753
Buildings and Other Structures	**19,532,791**	18,286,940
Investment Property	**7,468,012**	7,468,012
	200,214,669	206,568,394
Impairment Loss:		
Loans and Receivables	**45,465,525**	277,976,378
Building and Other Structures	**0**	270,580
	45,465,525	278,246,958
	245,680,194	484,815,352

26. NON-OPERATING INCOME, GAINS OR LOSSES

26.1 Non-Operating Income/Gains

	2020	2019
Gain on Foreign Exchange	**3,125,673**	17,965,192
Gain on Sale of Assets	**17,573**	0
Miscellaneous Income	**640,261**	2,014,172
	3,783,507	19,979,364

26.2 Non-Operating Losses

	2020	2019
Loss on Foreign Exchange	**3,520,375**	13,819,123
Loss on Sale of Assets	**1,636**	1,281,998
Loss of Assets	**0**	1,127,907
Share in the Loss of Associates *(As disclosed in Note 9)*	**23,498,077**	0
	27,020,088	16,229,028

27. FINANCIAL ASSISTANCE

Financial Assistance represents completed and turned over social infrastructure projects as well as aids/donations to various proponents in the pursuit of TIEZA's objective to develop, manage and supervise tourism infrastructure projects in the country accounted as follows:

	2020	2019
Financial Assistance to LGUs	**107,936,922**	676,018,390
Financial Assistance to NGAs	**10,344,984**	42,853,010
Financial Assistance to GCs	**0**	41,000
	118,281,906	718,912,400

28. RECONCILIATION FROM NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2020	2019 (As Restated)
Net (Loss)/Surplus	**(460,036,051)**	2,189,634,675
Adjustments to reconcile Net Surplus to Net Cash from Operating Activities:		
Losses	**27,020,088**	16,229,029
Gains	**(3,143,246)**	(17,965,193)
Non-Cash Expenses	**245,680,194**	484,815,352
Share in Profit of Associate	**0**	(15,436,926)

	2020	2019 (As Restated)
Prior years expenses disbursed this year	**(7,991,835)**	(213,214)
Prior years income received this year	**1,817,195**	4,614,469
Turned over projects by contracts	**12,084,986**	299,865,842
Remittance to DOF for Bayanihan to Heal as One Act	**(11,749,991,270)**	0
Decrease/(Increase) in Current Assets:		
Receivables	**500,116,276**	(165,196,967)
Inventories	**3,574,224**	(3,512,054)
Other Current Assets	**(5,801,990)**	(1,686,838)
Decrease/(Increase) in Non-Current Assets:		
Receivables	**(183,871,614)**	7,362,683
Other Non-Current Assets	**13,633,624**	478,405
Increase/(Decrease) in Current Liabilities:		
Financial Liabilities	**(41,679,545)**	9,211,698
Inter-Agency Payables	**(1,841,042,223)**	942,586,273
Deferred Credits	**(503,247)**	(4,363,784)
Provisions	**7,771,847**	10,259,409
Other Payables	**(5,217,114)**	(325,367)
Increase/(Decrease) in Non-Current Liabilities:		
Inter-Agency Payables	**0**	(856,136,226)
Trust Liabilities	**(141,310,174)**	26,846,124
Deferred Credits	**(96,718,517)**	(96,131,332)
Net Cash (Used)/Provided by Operating Activities	**(13,725,608,392)**	2,830,936,058

29. RECONCILIATION OF STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS WITH THE STATEMENT OF FINANCIAL PERFORMANCE

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Per Statement of Comparison of Budget and Actual Amounts	644,004,834	389,751,466	395,464,689	6,317,515	703,115,031
Entity Differences:					
Banaue Hotel & Youth Hostel (BHYH)			(35,003)		
Intramuros Light & Sound Museum			16,619		
Cebu Field Office (CFO)			(118,060)		
TIEZA Regulatory Office			(1,722)		
Prepaid Input Tax	638,998		(1,666,426)	(491)	
Withholding Tax on Interest Income	3,955		27,384,477		
Prepaid Fidelity Bond Premium			(39,195)		
Accrued Insurance Premium Expense			422,277		
Basis Differences:					
Income not considered budgetary items:					
Non-cash income	96,718,517				
Taxes withheld on interest income	27,356,609				
Documentary Stamp Tax for pre-terminated time deposit	51,902,307				
Gain on Forex adjustment	3,125,561				
Prior years adjustment	307				
Prior year's budget/Reapp – MOOE			5,070,241		
Prior year' budget/Reapp – Infra Projects			29,876,380		
Different Charging of Accounts:					
Personnel Services (Per Diems)		282,000	(282,000)		
Maintenance and Operating Expenses			52,120,755		
Income Tax Expense			(247,653)		
Equipment Outlay's Budget			1,847,014		

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Timing Differences:					
Terminal Leave Benefits obligated in the previous years, paid this year		(6,374,987)			
Employees leave credits earned obligated in the accounting book		14,402,969			
Accrued Income/Receivables:					
Luneta Boardwalk (Manila Ocean Park)	27,805,774				
Iloilo Convention Center	(862,973)				
Collection of Income from previous years	192,857				
Collection of prior years' concession fees	(9,177,740)				
Uncollected Concession Fees for the 4th Quarter 2020	427,928				
Prior years interest expense (Aug.21-Dec 31, 2019) on JICA Loan				(1,637,055)	
Accrued (Aug. 21 – Dec. 31, 2020) interest expense on JICA	1,343,090			1,343,090	
Recorded as Prepayments in CY 2020			740,524		
Recorded as Unexpired portions/Prepayments			(421,269)		
Recorded as expired portion			4,174,873		
Consumed Inventories and Deferred Charges charged to prior period appropriations			2,967,677		
Unconsumed Inventories charged to current appropriations			(144,473)		
Undelivered common-used supplies from DBM charged to current appropriations			317,192		
Longevity Incentive to employee fund committed but not obligated in the accounting books		(10,000)			
Unobligated expenses charged to current appropriations			(9,235,190)		
Expenses not considered as budgetary items:					
Capital Expenditures					(703,115,031)
Per Statement of Financial Performance	**843,480,024**	**398,051,448**	**508,211,727**	**6,023,059**	**0**

The 2020 Corporate Operating Budget (COB) was approved by the TIEZA Board of Directors per Resolution No. R-29-08-19-A on August 29, 2019 and approved by the Department of Budget and Management on December 28, 2020. Other Source of Fund was an augmentation for the insufficient fund or decrease in collection of travel tax due to travel restrictions caused by the COVID-19 pandemic to support the corporate expenses.

30. EQUITY

Share Capital

TIEZA has an authorized capital of P250 million fully subscribed by the National Government pursuant to RA No. 9593. Only P10.850 million of the subscribed shares have been paid as of year-end.

Accumulated Surplus Adjustments

Adjustments in Accumulated Surplus in 2020 are as follows:

Dormant Payable for two years	2,737,601
Previous years recording of expense	(2,866,873)
CIAC Case No 28-2012 Global V Builders Co., vs TIEZA	(2,333,530)
Previous years recording of income	(5,771,768)
Remittance to DOF in compliance with Bayanihan to Heal as One Act	(11,749,991,270)
Entities Adjustments	(11,179,049)
	(11,769,404,889)

Adjustments in Accumulated Surplus in 2019 are as follows:

Previous years recording of expense	325,504
Reversal of more than two years payable	9,257,150
Adjustment on PhilHealth Remittance	7,195
Previous years recording of income	4,655,182
Adjustment on recording of Property & Equipment	(190,451)
COA Notice of Finality of Decision No. 2019-245 dated July 2, 2019	2,339,958
COA Notice of Finality of Decision No. 2019-237 dated June 11, 2019	(3,691,577)
Previous years Interest Income from the placement of time deposit from the sale of HILAGA Properties	8,406,613
Decrease in Allowance for Impairment Loss – Accounts Receivable	669,390
Dormant Payable for two years or more	31,490,000
	53,268,964

31. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Authority has transactions with its controlled entities and with certain directors, officers, and related interests (DOSRI).

Name of Controlled Entity	Equity Interest	
	2020	2019
1. Balicasag Island Dive Resort	**100%**	100%
2. Banaue Hotel and Youth Hostel	**100%**	100%
3. Club Intramuros Golf Course	**100%**	100%
4. Garden of Malasag Eco-Tourism Village	**100%**	100%
5. Zamboanga Complex	**100%**	100%

31.1 Key Management Personnel

The key management personnel of TIEZA are the Chief Operating Officer, the members of the governing body, and the members of the senior management group. The governing body is composed of eleven members as provided under Section 55 of RA No. 9593 (see Note 1). The senior management group consists of the Assistant Chief Operating Officers of the following sectors: Administrative and Finance, Architectural and Engineering Services, Asset Management, and Tourism Enterprise Zone.

31.2 Key Management Personnel Compensation

The aggregate remuneration of members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category are:

	2020
Salaries and Wages	**27,254,456**
Other Compensation	**9,722,215**
Personnel Benefit Contributions	**4,008,168**
Other Personnel Benefits	**80,000**
	41,064,839

32. CIVIL CASES

32.1 Republic of the Philippines vs. Estate of Ferdinand E. Marcos and Philippine Tourism Authority (PTA) (Civil Case No. SB-10-CVL-0001)

On December 20, 1978, a Contract of Lease was entered into by and between former President Ferdinand E. Marcos (as lessor) and then PTA (as lessee) covering several parcels of land located in Paoay, Ilocos Norte. The lease was for one-peso a year for 25 years with a stipulation that *all the improvements thereon shall accrue to the lessor upon the expiration of the lease*. The improvements standing on the lots consist of the Maharlika building, the old motor pool, swimming pool and guest house, the Malacañang Ti Amianan, a tennis court, and a golf course.

On March 3, 2010, the Republic of the Philippines, represented by the Presidential Commission on Good Government (PCGG), filed a Petition for Declaration of Nullity of the Lease Agreement for being violative of Sections 8(2) and 13, Article VII of the 1973 Constitution, RA No. 3019, and the PTA Charter.

On April 21, 2014, the Sandiganbayan declared the subject lease contract as “void ab initio,” but held that the ownership and possession of the improvements introduced by PTA on the lots covered by said lease agreement belong to the State, represented by PTA (now TIEZA). Estate of Marcos appealed the Decision to the Supreme Court (SC).

32.2 Estate of Ferdinand Marcos vs. PTA, et al. PTA/PCGG vs. Estate

A complaint for unlawful detainer was filed by the plaintiff against the defendants for their ejectment from several parcels of land situated in Suba, Paoay, Ilocos Norte which are being managed by PTA as leased to it by the late President Ferdinand Marcos who claimed ownership over these parcels of land. PTA filed its comment/opposition to respondent's motion for reconsideration and is still pending with the Court of Appeals (CA).

On September 26, 2013, the CA rendered a Decision which granted the Appeal of the Petitioners and dismissed the complaint for lack of jurisdiction. In a Resolution dated May 20, 2014, the CA denied the Motion for Reconsideration of the Estate of Ferdinand Marcos. The respondent filed a Motion for Extension of Time to file Petition for Review dated June 10, 2014.

32.3 Ferdinand Marcos vs. PTA, PCGG and Grand Ilocandia Resort and Development, Inc. (GIRDI)

The land allegedly owned by the late President Ferdinand E. Marcos was leased to PTA on December 20, 1978 for one-peso annual rent for a term of 25 years. PTA then subleased the Paoay Sports Complex to Polar Peak for a term of 10 years renewable for another 10 years. Polar Peak extended the said lease to GIRDI. On February 7, 2005, Marcos Jr., as special co-administrator of the plaintiff, made a formal demand to remit the lease rentals thereof to the plaintiff considering that the Lease Agreement has expired. This case is in relation to Civil Case No. SB-10-CVL-001 (Petition for Declaration of Nullity of the Lease Agreement), which was filed by the Republic of the Philippines, represented by PCGG, before the Sandiganbayan.

The Republic of the Philippines, PCGG and PTA filed their consolidated comment on December 15, 2014 pursuant to the Resolution issued by the SC dated November 24, 2014.

The Estate of Ferdinand E. Marcos filed a Consolidated Reply dated July 6, 2015.

32.4 Tacloban City Government vs. Leyte Park Hotel, Inc. (represented by its owners PTA, Province of Leyte, and APT) and Unimasters Conglomeration, Inc. (UCI) Court of Tax Appeals (CTA) OC No. 012)

An Action for "Collection of Unpaid Real Estate Taxes" by the Tacloban City Government against the PTA, the Privatization and Management Office (PMO) (formerly APT) and the Province of Leyte. The subject property is the Leyte Park Hotel co-owned by the PTA, the PMO and the Province of Leyte but leased to UCI, a private corporation.

In a Decision dated November 15, 2011, the Honorable Court (Special First Division) held UCI liable for the payment of realty taxes in the amount of P22.827 million applying the "beneficial use" principle. Under this principle, the beneficial user of a government-owned property which is also a taxable entity shall be held liable for the payment of real property taxes.

Consequently, petitioner filed a Motion for Reconsideration (MR) which was denied by the Honorable Court for lack of merit. This prompted UCI to elevate the matter to the CTA En Banc (EB). TIEZA then filed a Comment to the Petition for Review filed by UCI. The case is still pending with the SC.

32.5 UCI vs. Tacloban City Government, PMO, PTA and Province of Leyte (CTA EB Case No.901 endorsed to SC with GR No. 214195)

Having been held by the CTA Special First Division as the party liable for the payment of realty taxes on the subject property, petitioner UCI filed a petition for review before the CTA EB. TIEZA already filed its Memorandum. Case is still pending resolution.

However, albeit its pendency, the Tacloban City Government issued a Final Notice of Publication and Auction Sale and scheduled the subject property for sale on February 8, 2013. PMO filed a Motion for Suspension of Collection of Real Property Tax and Cancellation of Warrants of Levy. TIEZA adopted said motion and also filed a Motion for Early Resolution.

On February 7, 2013, the CTA EB issued a Resolution granting the Motion for Suspension of Collection of Real Property Tax and Cancellation of Warrants of Levy with Urgent Application for Ex-Parte Issuance of Temporary Restraining Order (TRO)/Writ of Preliminary Injunction.

CTA EB rendered a Decision dated August 22, 2014 in favor of TIEZA. UCI was held liable to pay real estate taxes on the property amounting to P22.827 million for the years 1995 to 2004. UCI appealed the Decision to the SC.

TIEZA (formerly PTA) filed a comment to the petition for review filed by UCI pursuant to Resolution issued by SC on February 25, 2015. The case is still pending with the SC.

32.6 UCI vs. PMO, the Province of Leyte and PTA (Civil Case No. 06-781 elevated to the SC with CA GR No. CV-104905)

On September 15, 1994, the owners of the Leyte Park Hotel entered into a Contract of Lease with UCI for the lease of the Leyte Park Hotel for P300,000 per month. Under Section 2 of the Contract of Lease, the lease shall be for a period of 12 years commencing from the date of execution of the Contract of Lease and renewable for another 12 years at the option of the lessee. UCI signified its intent to renew the contract for another 12 years. However, the same was considered terminated by the Lessor under Section 13 (Events of Default) of the contract due to UCIs' default in the payment of rentals.

Consequently, UCI filed an action for Specific Performance asking the Regional Trial Court (RTC) to declare the Contract of Lease renewed for another 12 years. The former also prayed that a TRO be issued enjoining defendants, or any person deriving power and authority from them, to cease and desist from taking over the leased premises as a consequence of the termination and cancellation of the Contract of Lease.

On August 6, 2010, the RTC denied UCI's application for a Writ of Preliminary Injunction. UCI filed a MR which was likewise denied by the Court. The case was transferred to Branch 132 of the RTC of Makati.

The RTC rendered a Decision dated October 14, 2014 in favor of PMO, the Province of Leyte and TIEZA. UCI filed a Partial Motion for Reconsideration. PMO and TIEZA also filed their respective MRs on the portions of the Decision not favorable to them.

On April 21, 2015, RTC issued an order denying the MRs filed by TIEZA, UCI and PMO. The case was elevated to the SC, and the CA issued a notice requiring TIEZA to file an Appellant's brief.

On May 11, 2016, TIEZA (formerly PTA) filed a comment/opposition pursuant to the Order of the CA.

On May 28, 2019, the CA Manila 5th Division rendered a decision which granted the appeals of the UCI, PMO and TIEZA, in part. The assailed Decision and Order, dated October 14, 2014 and April 21, 2015, respectively, of the RTC of Makati City are affirmed but modified.

On August 1, 2019, the Defendant-Appellant PMO filed a MR of the decision dated May 28, 2019.

32.7 UCI vs. Honorable Elpidio R. Calis, PMO, the Province of Leyte and PTA (CA-G.R. SP No. 119417)

In view of the denial of its petition for Writ of Preliminary Injunction in Civil Case No. 06-781 (Branch 133), UCI elevated the matter to the CA through a Petition for Certiorari. On November 7, 2013, the CA dismissed the petition for lack of merit and affirmed the RTC's Decision. A Motion for Reconsideration was filed. On April 2, 2014, the CA affirmed its November 7, 2013 Decision dismissing UCI's petition for lack of merit. No further appeal was made by UCI.

An Entry of Judgment was issued by the CA, the decision dated December 7, 2013 was declared final and executory as of April 20, 2014 and was recorded in the Book of Entries of Judgment.

32.8 PTA vs. Henry Benlingon

Defendant Henry Benlingon built a small hut within PTA's property located in Banaue Hotel, Banaue, Ifugao. As a result of the encroachment, PTA was prevented from constructing a perimeter fence in its property as the same would directly traverse through the hut built by defendant. Thus, PTA instituted this action against defendant to recover possession of its property and to recover damages in the amount of P300,000.

The case is on the Pre-trial stage.

In an Order dated August 2, 2012, RTC granted the Motion for Issuance of a Status Quo Order filed by PTA. On October 7, 2013, PTA filed a Motion for the parties to attend the verification survey. The Department of Environment and Natural Resources (DENR) Cordillera Administrative Region (CAR) has approved the verification survey for the Banaue Hotel. However, Henry Benlingon filed a Petition for the Cancellation of the Survey Plan (Henry Benlingon vs. Engr. Ervin A. Boado) dated June 4, 2018. The OSG filed a Motion to Reset the May 23, 2019.

32.9 Jabez Pacific Inc. (JPI) vs. Torio and PTA

In instituting this action, plaintiff JPI alleged, among others, that PTA's properties covered by Transfer Certificates of Title (TCTs) No. T-18491, T-18492 and T-18493, all located in Talisay, Batangas, were fraudulently obtained and are prejudicial to plaintiff's title over a property covered by TCT No. T-97746 located in Laurel, Batangas. Plaintiff prays for the cancellation of PTA's title over the properties (covered by TCTs 18491 to 93) for the quieting of plaintiff's title TCT No. T-97746 and the removal of any cloud that may exist therefrom. Plaintiff further prays that PTA surrender to them possession of the subject properties plus the payment of damages.

Defendant PTA alleged that it has the older title and more significantly, there was no fraudulent nor fictitious encroachment as claimed by the plaintiff because the property in dispute is part and parcel of PTA's property covered by TCT No. T-18493.

TIEZA has already started with the presentation of its evidence with Atty. Teodoro M. Hernandez as its first witness, subject to the cross-examination by JPI in the next scheduled date of hearing.

On July 4, 2013, Atty. Hernandez filed his Judicial Affidavit. Atty. Hernandez completed his direct testimony and was subjected to partial cross-examination.

PTA received a copy of the plaintiff's formal offer of evidence dated February 15, 2014. On March 5, 2014, PTA filed its Comment/Opposition to the plaintiff's formal offer of exhibits. The formal offer of evidence by the PTA was filed on June 23, 2014.

The RTC Branch 83, Tanauan City, Batangas issued a Decision dated July 24, 2020 which granted the complaint filed by JPI.

JPI filed its comment/opposition on December 18, 2020 regarding MR dated November 3, 2020.

32.10 Department of Agrarian Reform, Landbank of the Philippines vs. PTA

This is a preliminary determination of just compensation of land covered by TCT-No. T-18491 located in Talisay, Batangas and registered in the name of PTA. Said land was covered by the Comprehensive Agrarian Reform Program (CARP) pursuant to RA No. 6657.

The parties have been ordered to submit their respective position papers. Position papers were already submitted by TIEZA.

On July 26, 2017, TIEZA filed a Notice of Appeal with an Appeal Memorandum.

32.11 Heirs of Lumayag et al., vs. PTA

The plaintiff sold their properties to Argao Resort Development Incorporated sometime in 1980 for P0.80 per square meter, or P8,000 per hectare, and that there are certain conditions that must be complied with. One of the conditions was, if the buyer will no longer continue to use the said premises, the seller can re-acquire its ownership by means of repurchasing the said property in the same price stated in the Deed of Sale. In 1994, it was sequestered and transferred to PTA. The plaintiff tried to repurchase the property but PTA refused. The Plaintiff filed a complaint against PTA. A hearing will be held on January 17, 2018 for the said complaint.

The defendant filed a Motion to Dismiss on February 20, 2018. The plaintiffs filed their opposition to the Motion to Dismiss dated March 9, 2018. The defendant filed a Manifestation/Reply on November 19, 2018.

The RTC Branch 26, Argao, Cebu issued an order dated August 11, 2020 giving the plaintiffs one last chance to present their evidence on October 6 and 7, 2020. If no evidence will be presented on those dates or no substantial evidence will be presented, the Court will proceed with resolving to the Motion to Dismiss. October 6 and 7, 2020 settings are nontransferable.

Emily Cagata, Bartolome Carilimdiliman, Felipa Beceril, Gilberto Entoma, Ma. Benneth Alpuerto, Dolores Balungcas, and Tiburcia Tuadles filed their respective Judicial Affidavits on October 3, 2020.

The RTC Branch 26, Argao, Cebu issued an order dated December 16, 2020 which set the hearing on February 3, 2021.

32.12 Rosalinda Yingling vs. Nicolas Quisaot vs. TIEZA

On May 27, 2005, plaintiff Yingling entered into a Contract of Lease with defendant Quisaot involving Lot No. 2509 located in Basdiot, Moalboal, Cebu. After the execution of the contract, plaintiff allegedly received information that the subject property is not actually owned by defendant Quisaot but by defendant TIEZA having acquired the same by virtue of a Deed of Absolute Sale (dated August 31, 1983) executed between Tri-Island Corporation Holdings, Inc. and the then PTA. On February 7, 2012, plaintiff executed another Contract of Lease involving the same property, this time, with TIEZA.

On March 8, 2012, plaintiff Yingling filed an action for Interpleader against defendants Quisaot and TIEZA asking relief from the Honorable Court as to whom she should pay her rentals on the land covered by Lot No. 2509.

TIEZA filed a Position Paper on the answer with affirmative defenses of Quisaot upon order of the Court. Affirmative defenses of Quisaot are pending resolution by the Court.

32.13 Catherine Magtajas Mercado and Suzete Magtajas Daba vs. PTA

Plaintiffs Magtajas instituted this action against PTA for the nullification and/or annulment of the Deed of Donation of Real Property they executed in favor of PTA. The property subject of the donation covers five hectares of land located in Barrio Indahag, Cagayan De Oro where a convention center is now being constructed.

The case was submitted to the RTC and the judgment favors the plaintiffs. A notice of Appeal was filed by PTA (now TIEZA) on June 8, 2016.

An Entry of Judgment was issued by the CA, Cagayan De Oro City dated September 6, 2018, the Decision dated April 6, 2018 (which granted the motion to withdraw appeal and declared the case closed and terminated) was declared final and executory.

32.14 PTA vs. Roberto B. Inumerable Construction (RBI), et al.

Claim for damages (liquidated, moral, exemplary and cost of litigation) filed by PTA (now TIEZA) against RBI Construction for its failure to complete two projects (Repair of perimeter fence at Argao Beach Club, Argao, Cebu and Construction of Talisay Landing Shrine, Talisay City, Cebu) on time which resulted to its termination.

The consolidated cases – TIEZA vs. Commonwealth (CC No. 11-125802) and PTA vs. RBI (Civil Case No. 09-122630), as well as the third-party complaint filed by Commonwealth Insurance against RBI Construction (CC No. 11-125802) were referred to the Philippine Mediation Center.

TIEZA has started with the presentation of its evidence sometime in 2012 with Atty. Guiller B. Asido as its first witness. The cross-examination by Commonwealth Insurance was held in abeyance due to the consolidation of the case with PTA vs. RBI (CC No. 09-122630).

In an Order dated July 17, 2013, the Motion for Consolidation was granted. In an Order of the RTC dated September 22, 2014, the case was set for Judicial Dispute Resolution on October 22, 2014.

32.15 TIEZA vs. Robert Dean Barbers and IA Bosque

The TIEZA instituted money claims against respondents Barbers and IA Bosque to recover the cost of demolition and other related expenses in the amount of P0.796 million that TIEZA incurred in connection with the demolition of the constructed sports complex in Intramuros, Manila plus moral and exemplary damages in the amount of P100,000.

The case is undergoing the requisite Judicial Dispute Resolution (JDR) before the RTC, Manila.

On June 20, 2018, defendant Barbers filed a Manifestation with Motion praying for the dismissal of the complaint. TIEZA filed an opposition dated June 29, 2018. Engr. Nestor M. Domalanta filed his Judicial Affidavit.

On March 21, 2019, the Office of the Solicitor General (OSG) filed the Judicial Affidavit of Atty. Al Conrad B. Espaldon.

32.16 TIEZA vs. Global-V Builders, Co. (CA GR No. 115346) originating from Global-V Builders, Co. vs. PTA (CIAC Case No. 26-2009)

TIEZA filed a Petition for Review with the CA for judgment rendered by CIAC in favor of Global-V. The subject of the case is based on the memorandum of agreement entered into by PTA (now TIEZA) and Global-V Builders Co., whereby Global-V shall undertake the execution, completion and remedying the defects of the Boracay Environmental Infrastructure Project-Drainage Component in Aklan. TIEZA then issued a Notice to Proceed and paid 80 per cent of the value of construction materials purchased by claimant. The final phase of the project would have been the construction of the drainage pumping station and its related works but the original site was not acquired during the implementation of the projects, so TIEZA suspended the project.

When COA inspected the site, there were no construction materials on the site 15 months after the suspension of the project. TIEZA wrote Global-V a letter demanding the refund with interest of 12 per cent per annum. Global-V submitted a reply stating that the materials were entrusted to the supplier, otherwise these would be damaged. It wrote to TIEZA's Chief Operating Officer to resume completion of the project and demanded payment for the unpaid bills. TIEZA unilaterally terminated the MOA. Global-V considered the termination as illegal, improper, prejudicial to the government and done with abuse of authority.

Decision was rendered in favor of TIEZA. Respondent filed a Motion for Reconsideration before the CA. TIEZA filed its Comment/Opposition to the Motion for Reconsideration filed by respondent.

An Entry of Judgment was issued by the Supreme Court (SC), Manila (Third Division), the Resolution dated July 12, 2017 which denied the Petition for Review on Certiorari filed by TIEZA was declared final and executory as of January 24, 2018 and was recorded in the Book of Entries of Judgments.

On January 28, 2020, the Arbitral Tribunal issued an order which denied TIEZA's Urgent Motion to lift the writ of execution and the notice of garnishment dated January 16, 2020 for lack of merit.

In compliance with the Notice of Garnishment dated September 27, 2019 issued by the Arbitral Tribunal and Sheriff, CIAC, the Development Bank of the Philippines (DBP) has garnished the amount from the current account of TIEZA.

In a letter dated January 30, 2020, DBP informed TIEZA that it caused the release of the garnished deposits of TIEZA and the issuance of the corresponding Manager's/Cashier's check for the amount payable to Global-V Builders Co.

On February 24, 2020, an order was issued by the Arbitral Tribunal which denied for finality TIEZA's Motion for Reconsideration of the Order dated January 28, 2020 for lack of merit and being moot and academic. Likewise, the Arbitral Tribunal denied TIEZA's Very Urgent Manifestation and Motion dated February 19, 2020 for lack of merit.

TIEZA, through the OSG, filed a Petition for Certiorari under Rule 65 of the Rules of Court with prayer for the issuance of a Temporary Restraining Order and Writ of Preliminary Injunction dated June 19, 2020.

TIEZA, through the OSG, filed a Manifestation dated July 10, 2020

32.17 PTA vs. Marcosa Sabandal Barili, Cebu
PTA vs. Marcosa Sabandal Herzentiel
PTA vs. Mauricio Gabunilas represented by Estrella G. Taladro
PTA vs. Dominador Pocong represented by Veronico Pocong
PTA vs. Felipe Gabunilas represented by Manuel Gabunilas
PTA vs. Hrs. of Flavia Abrenica rep. by Concordia Isola
PTA vs. Martin Abrenica
PTA vs. Bonifacio Tapales
PTA vs. Marcosa Herzenstiel
PTA vs. Bonifacio Gabunillas
PTA vs. Espino and Abenido

These are actions for cancellation of title filed by the PTA against defendants. PTA bought several parcels of land from Tri-Island Corporate Holdings, Inc. which bought them from the defendants. Defendants were able to secure titles over the parcels of land by virtue of the Decision of Branch 60, RTC, Cebu which relied on (cancelled) tax declaration presented by the defendants. The above cases are still pending with the RTC.

32.18 Cebu Bible Baptist Church (CBBC) vs. Lucy Franco-Garcia and Philippine Tourism Authority (PTA), Plaintiff-in-Intervention

This is an action for Annulment of Sales Contract and Reconveyance. As against defendant Lucy Franco-Garcia, CBBC claims that it is the owner of the subject parcel of land, Lot No. 16107, and that the title procured by defendant therefor, particularly Original Certificate of Title No. 0-1378 of the Office of the Registry of Deeds in Cebu City, is void ab initio. CBBC never sold the subject parcel of land to defendant. Her alleged predecessor-in-interest, Alfonso Talita, is not and has never been the owner thereof; thus, defendant did not acquire any interest or right over the subject parcel of land.

As against PTA, CBBC claims that, notwithstanding its sale of the subject parcel of land to PTA, the latter did not acquire the ownership thereof and that sale did not materialize. CBBC theorizes that the alleged failure of PTA to pay in full the consideration of said sale of the subject parcel of land ipso jure cancels the sale and reverts the ownership thereof to CBBC.

As against defendant, Lucy Franco-Garcia, PTA adopted the claims and defenses of CBBC. However, as against CBBC, PTA contends that non-payment of the consideration, assuming it is true, does not cancel said sale and accordingly does not revert the ownership thereof to CBBC. Pre-trial conference was held on March 15, 2018. As of December 31, 2018, a hearing for Judicial Dispute Resolution is set on February 8, 2019.

The hearing for the Judicial Dispute Resolution (JDR) is reset to June 7, 2019. The RTC Branch 23, Cebu City issued an Order dated September 3, 2019 which stated that the conducted JDR failed and the entire records of the case is remanded to the Office of the Clerk of Court for re-raffling.

In an Order issued by the RTC Branch 28, Cebu City dated January 16, 2020, the Motion to Vacate the Judgment filed by PTA dated November 22, 2018 is set for hearing on March 13, 2020.

The hearing on the Motion to Vacate the Judgment dated November 22, 2018 is moved to March 19, 2021.

32.19 PTA vs. Pedro Tapales et al.

By virtue of Proclamation No. 1667-A issued by then President Marcos, Lot No. 2574 of Cadastral Survey of Cebu located in Basdiot, Moalboal was declared a Tourism Zone. Hereinafter, the said parcel of land was acquired from Tri-Island Corporation Holdings, Inc. in 1981 by PTA and subsequently placed under its control.

Defendant, on the other hand, alleged that they are the legal and rightful owner of the said land, having inherited the land decades ago from a certain Angel Abrenica.

As of year-end, defendants continue to occupy the lot and have constructed semi-permanent structures and fences and cut down fruit bearing trees. The lower court issued the decision in favor of TIEZA, but the case is still pending with the SC.

32.20 PTA vs. Virgilio Abrenica

TIEZA is the owner of several parcels of land located in Basdiot, Moalboal, Cebu as evidenced by the Deed of Absolute Sale executed by Tri-Island Corporation Holdings, Inc. on August 31, 1983.

As early as 1982 up to present, TIEZA, by virtue of its ownership, has continuously assigned several personnel in Moalboal to oversee and supervise the property. But without the knowledge of TIEZA Management and the officers and personnel of Cebu Field Office, a member of the Abrenica family stealthily trespassed on Lot No. 2261 which is the property of TIEZA. An employee reported the matter to the Moalboal Police Station for an official police blotter. Then, the said police blotter was forwarded to the Office of the Corporate Legal Counsel of TIEZA for proper legal action.

TIEZA filed a Motion to Dismiss the Defendant-Appellant Appeal for failure to file a Memorandum of Argument.

Municipal Trial Court (MTC) issued an Order dated November 13, 2018 which sets the cross-examination of witness Patricia Cusio on March 12, 2019.

On June 4, 2019, the Court issued an Order which waived the right of the defendants to cross-examine the second/last witness for the plaintiff. The hearing is reset to September 3, 2019.

32.21 PTA vs. Salvacion G. Sacapano, et al.

PTA entered into a contract with PHESCO, Incorporated to undertake the construction of sanitation and sewage water supply and solid waste disposal system in Boracay, Malay, Aklan. Allegedly, the only remaining work to be done is the laying of pipes across the property of the defendant (Sacapano), plaintiff (PTA) and PHESCO since they cannot comply with their respective undertaking in the contract unless PTA will be granted a permission to appropriate for public purpose the lot which is in the name of spouses Emilio and Sesona Sollano. Defendants are the heirs of spouses Emilio Garcia and Sesona Sollano, who are claiming to own another lot more particularly Lot No. 3698 and bounded on the north by the Tabon River. The technical description contained in TCT No. T-2614-46 does not tally with the technical description from the Bureau of Lands concerning Lot No. 3562. The technical description provided by the Bureau of Lands for Lot No. 3562 is slightly smaller, allowing the defendant Sacapano to occupy or claim a portion of Lot No. 3562. The title and proof of ownership of the defendants to the properties are obscure or doubtful so that PTA cannot, with accuracy or certainty, specify who among the defendants are the real owners.

On July 27, 2000, the PTA wrote a letter to Mr. Victor Garcia, allegedly the administrator of the heirs of Emilio Garcia and Sesona Sollano, of their intention to lay 300mm steel pipes across defendant’s property and offered to pay in the amount of P78,320 for the affected 712 square meters, but the PTA did not receive any response up to the filling of the complaint.

Judge Virgillio Panaman issued a partial decision in favor of PTA, now TIEZA. The court ruled that the process of eminent domain has been completed. Thereafter, the case was sent to archives pending for final decision under Civil Case No. 96-M.

On November 9, 2016, an Order was issued by RTC, Branch 7 Kalibo, Aklan, which approved the release of the provisional deposit.

As of to date, the case is pending before the RTC.

32.22 Gotesco Properties, Inc. (GPI) vs. TIEZA (formerly PTA)

A MOA dated November 5, 2009 was executed for the purchase of the Kang-Irag Golf Course by GPI from the PTA. The said agreement specifically states that GPI shall acquire the said property from PTA. The addendum explicitly states that GPI shall acquire the said property according to its fair market value or current zonal value as determined by the BIR, whichever is higher. The aforementioned MOA and addendum have neither been revoked, rescinded, cancelled or withdrawn by the Board of Directors of TIEZA nor a reply been issued on the letter of GPI. GPI reiterated their position in a letter dated December 1, 2014. TIEZA did not act on the matter and refused to act on the demand of GPI for the sale of the said property.

In an Order of the RTC dated April 25, 2018, the JDR proceedings conducted failed, the case was set for Pre-Trial Conference on June 1, 2018 and directed the parties to file the judicial affidavits of their witnesses.

In a Pre-trial Conference Order date June 1, 2018, the hearing for the initial presentation of the plaintiff's evidence was set on August 6, 2018.

The plaintiff filed its Formal Offer of Evidence dated October 1, 2019. The plaintiff filed an Opposition to Demurrer of Evidence of the defendant dated December 10, 2019.

In its Order dated January 10, 2020, the trial court granted the demurrer to evidence filed by the OSG on behalf of the TIEZA. GPI subsequently filed a Motion for Reconsideration, which the OSG opposed.

The petitioner, GPI Filed its Notice of Appeal dated September 10, 2020. It filed its brief (Brief for the Petitioner-Appellant) dated December 7, 2020.

32.23 TIEZA vs. Negros Cultural Foundation, Inc. (NCFI) and Guillermo Ma. A. Gaston (Civil Case No. 1203-C)

This case involves an action for unlawful detainer with prayer for TRO and a Writ of Preliminary Mandatory Injunction filed by TIEZA (formerly PTA) against the NCFI and Guillermo Ma. A. Gaston for the recovery of the possession of the Balay Negrense Museum due to the revocation of the donation between TIEZA and Guillermo Ma. A. Gaston.

The parties submitted their respective Position Paper in February 2017.The case is still pending before the Municipal Trial Courts in Cities (MTCC) of Silay City.

TIEZA filed an Urgent Motion for Early Resolution dated November 19, 2019.

32.24 TIEZA vs. Virginia T. Maribojoc (Civil Case No. 7636)

This case involves an action for unlawful detainer filed by TIEZA (formerly PTA) against Virginia T. Maribojoc for the recovery of possession of a parcel of land consisting of 33 square meters inside Zamboanga Beach Park due to the expiration of the Facility Rental Contract.

On October 30, 2012, TIEZA entered into a Facility Rental Contract with Virginia T. Maribojoc over a parcel of land inside Zamboanga Beach Park upon which she would install a food stall for a period of two months. Later, the contract expired without any agreement to renew the same. However, Maribojoc adamantly remained in the premises and continued to occupy the same. Further, she constructed a bigger structure on the lot and used the same as residential house without paying any rent. TIEZA sent a Final Notice to pay, demolish the structures built therein, and vacate the area. Despite the Final Notice/Demand, Maribojoc refused to vacate the premises without justifiable cause. Hence, TIEZA filed an unlawful detainer case against her.

However, the MTC of Zamboanga City dismissed the unlawful detainer case against defendant Maribojoc for failure to state a cause of action and lack of cause of action. TIEZA and defendant Maribojoc have opposing views and description as to the specific location of the parcel of land subject of the lease. On the other hand, TIEZA contends that there was erroneous designation of the area subject of the Facility Rental Contract due to palpable mistake and alleged that the true intent of the parties is to lease an area inside Zamboanga Golf Course which is actually occupied by the defendant.

On January 19, 2018, RTC Branch 12, Zamboanga City granted TIEZA's Appeal and reversed and set aside the December 8, 2016 Decision of the MTCC, Branch 2, Zamboanga City. Viriginia T. Maribojoc filed an Appeal to the CA, Cagayan de Oro City.

The CA Cagayan de Oro City (23rd Division) issued a Resolution dated October 27, 2020.

32.25 Republic of the Philippines vs. Simplicio Babiera, et al., PTA (Cadastral Titling Case No. N-92-1, LRA Cad. Record No. 665)

This case involves several lots as stated below:

Cadastral Lots 2261, 2459, 2463, 2364, 2279, 2262, 8109, 2290, 2516, 2595, 2579, 2725, 2572, 2288, 2507, 2361, 2371, 2368, 2591, 2266, 2269, 2643, 2441, 2617, 2719, 2768, 2593, 2457, 2339, 3579, 2423, 2578, 2514, 2547, 2458, 2723, 2615, 2291, 2367, 2357, 2259, 2440, 8107, 2353, 8110, 2292, 2293, 2727, 8087, 2268 and 2561

Each lot covered by a Cadastral Answer to signify that TIEZA (formerly PTA) is making a claim before the state on the ownership of such lots by virtue of a Deed of Absolute Sale with Tri-Island Corporate Holdings, Inc., the previous owner thereof.

To date, the titling of the lots is in various stages of the court proceeding from direct examination of the witness, cross examination of the witness by the adverse parties, filing of a formal offer of evidence, and awaiting decision from the court.

32.26 PTA vs. Pedro Tapales et al. (Civil Case No. 118)

On March 12, 1998, PTA filed a complaint for Forcible Entry with Preliminary Injunction with Prayer for Temporary Restraining Order and Damages, docketed as Civil Case No. 118 at 12th Municipal Circuit Trial Court (MCTC) of Moalboal-Badian-Alcantara, Moalboal, Cebu against Pedro Tapales, Luis Tapales, Romeo Tapales, and Marcosa Sabandal Herzenstiel.

On April 13, 2007, the MCTC rendered a Decision ordering respondent to (a) vacate the subject property and remove all the improvements introduced therein; (b) pay Petitioner, jointly and severally, the amount of P2,000 as monthly rental from the date of judicial demand, i.e., March 8, 1998, until they have effectively vacated the premises; and (c) pay the costs of suit.

Respondents appealed the case to RTC, however, the RTC dismissed for their failure to file a Memorandum on Appeal. The Motion for Reconsideration was similarly denied in an Order dated April 23, 2008.

On January 11, 2001, the CA rendered the assailed Decision nullifying and setting aside the rulings of both MCTC and RTC, and declared Marcosa Sabandal Herzenstiel as the lawful possessor of the subject property.

On July 25, 2013, the Supreme Court (SC) granted the Petition – the January 11, 2011 Decision and April 14, 2011 Resolution of the CA, Cebu City, in CA-GR SP No. 03888 are reversed and set aside. The April 13, 2007 Decision of the MCTC of Moalboal, Cebu in Civil Case No. 118 is reinstated.

On February 26, 2019, 12th MCTC of Moalboal-Badian-Alcantara, Moalboal, Cebu issued a Writ of Demolition.

32.27 PTA vs. Ms. Felisa C. Gonzales, doing business under the name and style of F.C. Gonzales Construction (Civil Case No. 04108862)

On October 21, 2003, PTA filed a complaint against Ms. Feliza C. Gonzales, for Damages docketed as Civil Case No. 04108862 at RTC Branch 11, Manila City.

On March 17, 2008, RTC Branch 11, Manila rendered a decision in favor of PTA ordering the defendant: (1) Defendant to pay temperate damages in the amount of P350,000, liquidated damages in the amount of P100,000 and

Attorney's fees in the amount of P50,000; and (2) Plaintiff to pay defendants its counterclaim of P1.410 million.

On July 29, 2009, Felisa C. Gonzales filed a Petition for Certiorari before the CA, Manila docketed as CA-GR SP No. 110094.The Petition for Review filed by the defendant was dismissed by the CA.

On February 4, 2011, the CA, Manila 10th Division rendered a Decision which affirmed the May 14, 2019 Order of the RTC, Branch 11, Manila (which denied the Petition for Relief filed by the defendant).

An Entry of Judgment was issued by the CA, the decision dated February 14, 2011 was declared final and executory as of March 11, 2011 and the same was entered in the Book of Entries of Judgment.

32.28 Myrna C. Canama et al. vs. Philippine Games & Holidays Corporation (PGHC) et al. (Civil Case No. CEB-13860)

Damian Cadutdut, now deceased and her children, plaintiffs herein, were the owners of five parcel of land located in Malubog, Cebu City known as Lot No. 16038, 16029, 16047, 16022 and 16044 which has an area of 27.429 hectares, are parts and parcels of Kang-Irag Sports Complex.

Defendant PGHC, Plaridel Seno, Anos Fonacier, Paulino Franco and Horacio Franco (now deceased), aided by PTA giving Anos Fonacier and his associates Paulino Franco and Horacio Franco letter of authority to purchase land in Kang-Irag, Cebu in behalf of PTA in lieu of expropriation. Plaintiff alleged that defendant acted with conspiracy and scheme to acquire vast tracts of land in Kang-Irag by means of threat, intimidation, fraud, trickery and misrepresentation, inducement of the vendors to commit mistake and unconscionable conduct, cause the deceased Damiana Cadutdut and Plaintiffs herein to sign a document of Deed of Absolute Sale for the sum of P100,000.

Included in the list of lots to be assigned and turned over to PTA under the Deed of Assignment dated December 29, 1989 are lots 16038 and 16022. However, despite the execution of this document, PGHC failed and refused to turn over the physical possession of the three lots to PTA, Lot 16029, 16047 and 16044, instead, it appropriated the said lots as its own and even sold the three lots to Gilbert Garcia in a fictitious sale. On the other hand, PTA limited its development in Kang-Irag area to only 18-hole golf course for lack of funds, waived its right over the other lots and did not anymore insist in claiming possession of the said lot from PGHC, as it was found out that the said lots except Lot 16038 and 16022 are located outside the golf course and are not affected by any PTA development in the area. For all practical purposes, these lands which are not needed by PTA had been abandoned by it from 1982-1994.

Plaintiff alleged that since the lot in question had been acquired by threat, intimidation, fraud, trickery, mistake and other unconscionable conduct, the said parcel of land which is no longer to be devoted to the public use by PTA, should be returned to the plaintiffs under the concept of implied trust in Article 1456 of the New Civil Code.

On October 27, 1993, the plaintiff filed its amended complaint. On March 22, 2006, defendant PTA filed a Motion for Reconsideration to the February 22, 2006 Order of the RTC. The case was set for its initial presentation of evidence for the defendants on February 22, 2006. However, on the date of the scheduled hearing, the counsel was on another scheduled hearing and no other lawyer was available due to the voluminous volume of work and cases being attended. As a result, the RTC has considered the defendant to have waived presentation of its evidence, hence the case was submitted for Decision.

On August 27, 2009, defendant Plaridel Seno filed a Motion to Drop him as defendant alleging that the action is for recovery of possession and ownership of real property, thus, a person who has no possession of a property being claimed and subjected in a reconveyance action is neither an indispensable nor necessary party to that action and the claimant has no cause of action against hum. On July 21, 2010, the RTC of Cebu issued an Order denying the Motion of Plaridel Seno to Drop him as defendant. The Court finds him as a necessary party who must be impleaded if a final and complete relief is to be arrived at this case.

On March 13, 2011, the RTC called for a hearing, but counsel of defendants PTA and Plaridel Seno were not able to appear, hence, plaintiff's counsel moved that the PTA and Plaridel Seno presentation of evidence be deemed waived. The Court issued an Order giving the defendants one last chance to present its evidence with a warning that should they fail to do so, they will be deemed to have waived their rights to present its evidence.

On March 13, 2015, the Legal Department of PTA, now TIEZA, filed a Motion to Withdraw as Counsel manifesting that they are withdrawing from the case and endorsed the said case to the OSG which shall represent TIEZA.

On September 13, 2016, defendant Anos Fonacier died, thus, on February 8, 2017, the heirs of defendant Fonacier through counsel filed a Motion to Substitute defendant. The Court granted the Motion on February 16, 2017.

32.29 Daisy Ann S. Gabriel vs. TIEZA and Premier Central, Inc. (PCI) (R-MKT-18-00396)

On February 16, 2018, plaintiff Daisy Ann S. Gabriel filed a complaint against TIEZA and PCI for Annulment of Contract of Sale of Government Property docketed as Civil Case R-MKT-18-00396 CV at RTC Branch 146 Makati City.

On June 19, 2018, RTC Branch 146 Makati City issued an Order dismissing the complaint, to wit:

> *During the setting for pre-trial today, only counsel for defendants Premier and TIEZA appeared. Plaintiff's counsel failed to appear*

despite notice. Upon motion of the counsels for defendants and considering the failure of plaintiff to appear for pre-trial despite notice, let the instant complaint be dismissed.

32.30 Republic of the Philippines and City of San Fernando, Pampanga vs. TIEZA and PCI (Civil Case 14636)

On March 15, 2018, the Republic of the Philippines and City of San Fernando filed a complaint against TIEZA and PCI docketed as Civil Case No. 14636 at RTC Branch 42, San Fernando, Pampanga. The relief sought by the plaintiffs in the complaint is for the court to render judgment nullifying contract of sale, enjoining PCI from registering the property and prohibiting TIEZA from further selling the property in violation of law.

The case is still pending at RTC Branch 42 of San Fernando, Pampanga. The last file on Records is the Resolution of RTC dated April 10, 2019 to wit:

PREMISES given, the Court orders the following:

1. *Anent the Motion for Voluntary Recusal dated December 11, 2018 from Defendant PCI, this is Denied.*

2. *Anent the manifestation made in open court by counsel for the Republic of the Philippines, no denial ensued from either counsel for Defendant PCI, or counsel from defendant TIEZA, this is per OCA Circular No. 89-2004, sent to Archives.*

The Petitioner Republic of the Philippines through the OSG, and the Petitioner City of San Fernando, Pampanga and Respondents TIEZA and PCI submitted a Joint Motion to Approve Compromise Agreement dated January 10, 2020 between the Plaintiff City of San Fernando and the Defendant PCI.

On January 15, 2020, the RTC, Branch 42, City of San Fernando, Pampanga, issued a Judgment which approved the Compromise Agreement and the same is immediately final and executory.

The Urgent Motion for Leave to Intervene is set for hearing on January 20, 2020.

Rep. Aurelio Dong D. Gonzales Jr. filed a Petition for Certiorari (with Urgent Motion for Leave to Intervene and Prayer for the Issuance of a Status Quo Ante Order, Temporary Restraining Order and/or Writ of Preliminary Injunction) on June 25, 2020.

32.31 Heirs of Antonio Castillejos, et al. vs. PTA

Civil Case No. NC-2000-1144 was filed against PTA (now TIEZA) at the RTC of Naic, Cavite, Branch 15 for the cancellation of Deed of Sale for the land measuring 2,000 square meters located in Sapang, Ternate, Cavite with Tax Declaration No. 1031. Petitioners claimed that the sale made was void due to the invalid mode of determining the just compensation and that no consent from their mother was made.

On October 10, 2014, the RTC rendered a decision in favor of TIEZA and the case was dismissed.

32.32 TIEZA vs. National Water Resources Board (NWRB)

This pertains to the petition for the exclusive right of TIEZA to regulate utilities on Boracay Island and other tourist zones.

On May 23, 2012, a Resolution by the Department of Justice (DOJ) ruled in favor of TIEZA, as the petitioner, stating that TIEZA has the sole and exclusive right to regulate all utilities, including waterworks and sewerage systems, in Boracay and other tourist zones; and Boracay Island Water Company, and other agents and concessionaires of petitioner TIEZA in the tourist zones need not secure Certificate of Public Convenience (CPC's) from respondent NWRB for the operation of waterworks and sewerage systems.

On July 11, 2012, NWRB filed a Motion for Reconsideration which was denied through Order dated August 15, 2012.

On October 8, 2012, NWRB filed an Appeal Memorandum at the Office of the President (OP), assailing the Order of the Secretary of Justice dated August 15, 2012 which affirmed its Resolution dated May 23, 2012. In a decision dated July 14, 2017, the Office of the President dismissed the appeal made by NWRB.

On August 15, 2017, TIEZA received a copy of the Motion for Reconsideration filed by the NWRB. In a Resolution dated September 5, 2018, the OP denied the Motion for Reconsideration of NWRB. A Motion for Extension of Time to File Petition were filed by NWRB on September 14, 2018. Also, a Petition for Review was filed on October 1, 2018.

The petitioner NWRB filed its reply dated May 21, 2019. It prayed that the Decision dated July 14, 2017 of the OP and the OP Resolution dated September 5, 2018 be annulled and set aside.

The petitioner NWRB filed its Memorandum dated November 4, 2019.

32.33 Paterno Belciña vs. PTA et.al.

This pertains to the complaint filed against PTA (now TIEZA) for the Declaration of Nullity of Donation, Recovery of Possession and Ownership with Damages for the land in Dakung Balas, Dalaguete, Cebu.

On July 27, 1980, Paterno Belciña donated to PTA a parcel of land measuring 22,143 square-meter located in Dakung Balas, Dalaguete, Cebu which was accepted by PTA on August 11, 1980 through the then Minister of Tourism, Jose D. Aspiras.

On July 16, 1990, Paterno Belciña filed a complaint (Civil Case No. AV-689) that his consent to the donation was vitiated by intimidation. Donata Belciña, plaintiff-appellant's sister, filed a Motion to Intervene on May 19, 1993, which was granted by the RTC, that the executed Deed of Donation was in violation of her right as a co-owner.

On October 28, 2009, the RTC of Argao, Cebu, Branch 26 dismissed plaintiff's complaint and intervenor's complaint-in-intervention on the grounds of prescription and insufficiency of evidence, in which the intervenor and plaintiff timely filed a notice of appeal (CA-GR CV No. 03451).

The CA, 20th Division, Visayas Station, Cebu City, on October 29, 2014 denied the appeals and affirmed the Decision of the RTC, Argao, Cebu Branch 26 in Civil Case No. AV-689.

TIEZA filed a manifestation and compliance, accordingly.

An Entry of Judgment was issued by the SC, Manila (First Division), the Resolution dated April 17, 2017 which denied the petition (Petition for Review on Certiorari filed by the Petitioner Belciña) and affirmed he ruling of the CA in CA-G.R. CV No. 03451 (which denied the Appeal of Belciña and affirmed the RTC Decision dated October 28, 2009) was declared final and executory as of July 13, 2017 and was recorded in the Book of Entries of Judgment.

On November 30, 2020, Atty. Fitz Gerald G. Quinto wrote a letter to Secretary Bernadette Romulo-Puyat on behalf of his client, Heirs of Donata Belciña, who are represented by their co-heir Peter Namare, Jr. Seeking for the extrajudicial partition of Lot 8686 (still declared in the name of Wenceslao Belciña, the father of Paterno and Donata as stated in the Decision).

32.34 Felicitas A. Benting et al. vs. BOD of TIEZA et al. Civil Case No. 14-819

This case involves a Petition for Mandamus under Rule 65 of the Revised Rules of Court filed by the Petitioners on August 4, 2014 commanding the Respondent BOD of TIEZA to:

a. Render to Petitioners the difference between the amounts of the separation package provided under TIEZA Board Resolution No. 19-10-10.IV B.2 and the amount of separation benefit actually received by Petitioners;

b. Re-compute and adjust petitioners' separation benefits based on their last actual monthly salary and render to petitioners the corresponding amount therefor;

c. Render to petitioners their salary and other compensation within the 120-day period from the time they submitted their intention to be separated from service.

On August 17, 2018, a decision was rendered by the 4th Division of the CA which granted the Petition for Certiorari of the petitioners. The Orders dated

March 10, 2015 and July 30, 2015 issued by Branch 149 of the RTC of Makati City in Civil Case No. 14-1819 are revered and set aside. The case was remanded to the court of origin for a resolution on the merits of the case. On April 29, 2019, the petitioners filed a Motion for the Production of Documents.

On February 12, 2020, a Decision was issued by the RTC Branch 149, Makati City which partly granted the Petition for Mandamus filed by the petitioners on August 4, 2014.

On June 22, 2020, the BOD of TIEZA file a Motion for Partial Reconsideration of the Decision dated February 12, 2020.

In a Resolution dated August 10, 2020, RTC Branch 149, Makati City denied respondent's Motion for Partial Reconsideration for lack of merit.

33. CONTINGENCIES

Spouses Demetrio Labrador, et al. vs. PTA

The spouses Demetrio Labrador and Fructuosa Tabura claimed ownership over Lot. No. 00247 (Parcel 1), 00238 (Parcel 2), 00212 (Parcel 4) and 00236 (Parcel 2) located in Cebu which in 1982 the PTA expropriated and bulldozed by virtue of a writ of possession and demolition. Thus, all the crops and plants were destroyed. Parcel 2 was converted into a cemetery whose caretaker is a government employee of the city.

On June 10, 1988, after 6 years, the expropriation case was dismissed; hence, the plaintiff recovered possession of Parcels 1, 3 and 4. Parcel 2 was not recovered until the present time as it is being used as a cemetery. Thus, the spouses filed a complaint against PTA and the City of Cebu.

On June 15, 2010, the Court favored its decision with the Labrador and against the PTA only. It awarded P100,000 each for the destroyed plants of Parcels 1, 3 and 4, another P100,000 for attorney's fee, P4.822 million which is a just compensation from Parcel 2 which was used as a cemetery for almost three decades, and P2.623 million representing the six-year rentals for parcels 1, 3 and 4.

Spouses Labrador filed a petition for money claim before the COA on February 22, 2017. TIEZA filed a Motion to Dismiss the petition for money claim on May 22, 2017.

The COA issued Decision No. 209-237 which granted the Petition for Money Claim of spouses Demetrio Labrador and Fructuosa Tabora.

Other Contingencies

TIEZA is contingently liable for other lawsuits and claims filed by third parties, the outcomes of which are not presently determinable. In the opinion of Management, the eventual liability under these lawsuits, if any, will not have a material effect on the financial statements.

34. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by the Bureau of Internal Revenue (BIR) Regulation No. 15-010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

a. TIEZA is a Value-added tax (VAT)-registered government-owned or controlled corporation with VAT output tax declaration of P10.308 million for the year based on the amount reflected in the sales account of P85.898 million and remitted to BIR P5.274 million net of tax credits.

b. The amount of VAT Input Taxes claimed are broken down as follows:

	2020	2019
Balance at the beginning of the year	**46,013**	0
Current year's purchases		
Goods other than for resale or manufacturing	**4,642,739**	5,721,303
Services lodged under other accounts	**5,050,216**	1,767,829
Total	**9,738,968**	7,489,132
Less: Input tax claimed	**5,033,613**	7,443,119
Balance at the end of the year	**4,705,355**	46,013

The balance substantially pertains to the input tax on purchased capital goods with an aggregate amount of P1 million per calendar month that is used in business by the Authority and shall be spread evenly over a period of 60 months.

Other taxes and licenses:

	2020	2019
VAT Renewal	**500**	1,000
Other Charges	**13,000**	820,480
Percentage Withholding Taxes on Interest	**27,380,522**	125,117,541
LTO Vehicle Registration	**72,476**	44,583
Water Permit at San Vicente, Palawan	**0**	28,512
Surveying Services- Titling of 2 lots at Claveria, Cagayan	**0**	45,000
Real Property Tax	**316,163**	1,703,389
	27,782,661	127,760,505

c. Amount of taxes paid for the year amounted to:

	2020	2019
Tax on compensation	**28,325,416**	30,631,834
Withholding taxes (5% VAT, Expanded & Sales/Percentage)	**43,630,523**	70,312,396
12% VAT	**6,758,401**	17,555,984
	78,714,340	118,500,214

d. Overpayment of Corporate Income Taxes

	2020	2019
Balance of CY 2019	**(10,900,739)**	(5,940,926)
1st quarter of CY 2020	**2,494,547**	(1,936,218)
2nd quarter of 2020	**0**	(921,693)
3rd quarter of 2020	**0**	(2,101,902)
	8,406,192	(10,900,739)

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The accuracy and existence of the recorded Property and Equipment (PE) including Investment Property and Service Concession Assets accounts at a total carrying amount (CA) of P6.5 billion could not be ascertained due to partial physical inventory conducted and partial reconciliation of physical inventory results with the accounting records in violation of Section V.4 of COA Circular No. 80-124, thus casting doubt on the fair presentation of the accounts in the Authority's financial statements as required under International Public Sector Accounting Standards (IPSAS) No. 1.

1.1 This is an updated restatement of prior years' audit observation.

1.2 Inventory taking of inventoriable assets is an indispensable procedure to attest their existence and check the integrity of property custodianship in line with the policy of the government to safeguard assets against loss or wastage through illegal or improper disposition.

1.3 TIEZA assets subject to inventory-taking include PE, net of Construction in Progress and Other Public Infrastructure that are eventually transferred to Local Government Units (LGUs), Investment Property and Service Concession Assets.

1.4 For Calendar Year (CY) 2020, the physical inventory taking was administered on various dates by the General Services Department (GSD) personnel, which was witnessed by representatives from the Internal Audit Department, Commission on Audit (COA), Travel Tax Units, and Entities nationwide.

1.5 However, travel restrictions brought by the COVID-19 pandemic led Management to suspend the conduct of inventory and retain the previous year's physical inventory count of assets housed in the following Concessionaire, Entities, TTU, and project:

a. Boracay Island Water Company, Inc;
b. NAIA Terminal 2 Travel Tax Unit;
c. Banaue Hotel and Youth Hostel;
d. Gardens of Malasag Eco Tourism Village;
e. Balicasag Island Dive Resort;
f. Zamboanga Golf Course and Beach Resort;
g. Iloilo Convention Center

1.6 The corresponding Annual Physical Inventory Report was timely submitted to the COA. However, the physical inventory conducted was limited only to three per cent of the assets consisting of movable properties such as Office Equipment, IT Equipment, Furniture and Fixtures, Machineries and

Equipment, and Motor Vehicles of TIEZA Main Office and Club Intramuros Golf Course (CIGC).

1.7 The bulk of the assets at 97 per cent was excluded from the physical inventory taking, comprising of Land and Investment Property, Land Improvements, Buildings, Other Structures, Leasehold Improvements, Watercrafts, Other Property and Equipment, and Service Concession Assets.

1.8 While we are aware that the partial inventory can be attributed to the threats of the COVID-19 pandemic, Management could have resorted to alternative procedures by involving its manpower in the entities to conduct inventory at times when lockdowns were lifted. Officials and staff assigned thereat have the ample time of almost a year to act if instructed. As it appears, the practice of partial inventory taking persists even before the onslaught of the pandemic and even with the recurring audit recommendation to conduct complete inventory taking.

1.9 Physical inventory count of the assets, whether immovable or movable is significant, considering the following:

a. Proliferation of informal settlers in idle assets, including individuals claiming to be owners of the area as observed by the Audit Team during the previous random inspection of Land and Leased Asset Improvements and Building and Other Structures in the provinces;
b. Deteriorated state of Leased Asset Improvements and Building and Other Structures;
c. Under-recognition of impairment loss due to lack of information to be used as basis; and
d. Inaccurate presentation of the PE account in the financial statements for the year.

1.10 In summary, out of the total PE and other assets with CA of P6.5 billion, P6.315 billion was not included in the physical inventory report while the remaining P458.231 million with CA of P185.031 million that were inspected and counted, was found to be short by P147.517 million. The partial reconciliation of physical inventory results with the accounting records contravenes Section V.4 of COA Circular No. 80-124 which states that all inventory reports shall be properly reconciled with accounting and inventory records.

1.11 As an alternative auditing procedure, the Audit Team reviewed the land account with historical cost of P3.241 billion pertaining to the 23.363-hectare lot in Intramuros, Manila where the CIGC is situated. However, except for the said CIGC lot, the Audit Team was not able to perform other audit procedures to attest Management’s assertions of accuracy and existence of the PE, Investment Property and Service Concession Assets accounts due to partial physical inventory count and the non-reconciliation of asset account balances between the Annual Physical

Inventory Report and the accounting records, which should have been subjected to examination.

1.12 As a result, the inventory lapses as discussed in the preceding paragraph cast doubt on the fair presentation of affected accounts in the financial statements, which is a departure from Paragraph 27 of IPSAS No. 1 that states – "*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.*"

1.13 We reiterated our prior years' recommendations that Management:

a. Conduct complete physical inventory count of assets or conduct an alternative procedure that would serve the same purpose and refrain from partial inventory taking;

b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and

c. Adjust the books of accounts after the reconciliation of asset account balances between the GSD and Financial Services Department (FSD) to reflect the accurate balances of the PE account in the financial statements.

1.14 Management commented that continuous reconciliation is being done by the GSD and FSD. Also, Management had started implementing the Integrated Inventory Management Systems (IIMS). Once TIEZA has fully transitioned to the IIMS, the lead time for reconciling the PE account will be significantly reduced since any equipment acquired after the conduct of physical inventory and reflected in the system can be immediately reconciled by the FSD.

1.15 Furthermore, equipment acquired below the capitalization threshold of P15,000 recorded by the GSD under PE, but recognized by the FSD as expenses pursuant to COA Resolution No. 2014-003, has been identified as another source of discrepancy. As a resolution, tangible items belonging in this category which have useful life beyond one year are being reclassified as Semi-Expendable in the books of FSD, pursuant to COA Circular No. 2017-004.

1.16 It is Management's practice that Head Office personnel travel to TIEZA entities around the country to conduct inventory count. But due to travel restrictions brought by COVID-19 pandemic, Management could not do so. In this regard, Management acknowledged the recommendation for TIEZA to utilize personnel in the TIEZA entities.

2. Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.

2.1 This is an updated restatement of prior years' audit observation.

2.2 Rights is a basic assertion that all assets and liabilities included in the financial statement belong to the Authority issuing the statement. It states that the Authority owns and has the ownership rights or usage rights to all recognized assets.

2.3 TIEZA needs to completely establish rights over its investment properties.

2.4 Investment Property of the Authority consists of land in the various parts of the country intended to earn rentals or for capital appreciation for the benefit of the Authority.

2.5 *Investment Property - Land* account amounting to P114.241 million as of December 31, 2020, is not covered by Transfer Certificates of Title (TCTs) under the name of TIEZA. According to Management, they have been exerting efforts to have these properties transferred in their name but to no avail as of report date.

2.6 The Authority's only documents on hand are Deeds of Sale and Tax Declarations of Real Property which are not sufficient proof or evidence to assert ownership over the properties acquired and thus, cannot dismiss other persons claiming ownership on the same properties.

2.7 The absence or non-securing of TCTs under the name of TIEZA cast doubt on the Authority's rights on the properties recorded under *Investment Property - Land* account in the amount of P114.241 million as reflected in the Financial Statements as of December 31, 2020.

2.8 We reiterated our prior years' recommendation that Management fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.

2.9 Management commented that the Pre-Titling Committee is still in the process of conducting due diligence as regard the available documents and records.

2.10 The legal process of titling entails a lot of documentation and certifications/papers from concerned government agencies like Land Registration Authority and LGUs. The committee closely coordinates with the concerned agencies and LGUs to resolve the matter.

B. OTHER AUDIT OBSERVATIONS

3. There were unreconciled discrepancies aggregating P69.379 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) in violation of COA Circular No. 94-013 dated December 13, 1994.

3.1 This is an updated restatement of prior years' audit observation.

3.2 Recognizing the strategic significance of infrastructure to boost tourism in the country, TIEZA transfers funds to LGUs and NGAs to develop tourism-related projects.

3.3 Regarding fund transfers, COA Circular No. 94-013 dated December 13, 1994 was issued to ensure that (a) the transfer is properly taken up in the books of both source and recipient agencies, (b) the transferred funds are used only for the intended purpose, and that, (c) proper accounting and reporting is made of the utilization of the funds.

3.4 Apparently, the aforementioned requirement "c" was not fully observed in the development of infrastructure projects being funded by TIEZA and implemented by proponents – LGUs and NGAs.

3.5 At TIEZA, fund transfers for various tourism-related projects are taken up in the books of accounts as *Due from LGUs* and *Due from NGAs*. Upon completion of the projects, the LGUs and NGAs concerned are required to submit liquidation reports to TIEZA. These reports are the bases in recognizing the expense under *Subsidy to LGUs* and *Subsidy to NGAs* accounts and reducing the balance of the *Due from LGUs* and *Due from NGAs* accounts.

3.6 However, confirmation of *Due From LGUs/NGAs* accounts as of December 31, 2020, disclosed 34 replies for *Due from LGUs* with confirmed balances in the total amount of P30.762 million against the recorded amount of P101.500 million and 6 replies for *Due from NGAs* with confirmed balances in the total amount of P188.644 million against the recorded amount of P235.565 million, thus resulting in discrepancies of P70.738 million and P46.921 million, respectively or a total of P117.659 million.

3.7 Furthermore, 4 LGUs, although with the same balances per books of TIEZA, confirmed that the funds amounting to P10.243 million are idle, suspended and not utilized as of December 31, 2020. These projects were supposed to be implemented on the date of grants in CYs 2006 (3) and 2018 (1). However, to date, these funds are still unused and not returned to TIEZA, thus depriving TIEZA of funds that should have been available for other tourism-related projects.

3.8 It is most likely that the discrepancies pertain to disbursements relative to the implementation of infrastructure projects already taken-up in the books of accounts of the various recipient LGUs and NGAs but not yet recorded in the books of accounts of the Authority. It is then possible that the *Due from LGUs and NGAs* accounts and the corresponding subsidy accounts are misstated, granting that the records of the various recipients are correct and no errors or irregularities were committed.

3.9 Moreover, part of the unliquidated balances of *Due from LGUs/NGAs* accounts represents fund transfers to various LGUs and NGAs prior to CY 2015 amounting to P40.162 million and P5.782 million, respectively. These dormant accounts were communicated to Management in our prior years' audit observations.

3.10 The provision for impairment loss was recorded for CYs 2019-2020 in compliance to COA Circular No. 2020-02 dated January 28, 2020, compensating in part any misstatement in *Due from LGUs/NGAs* accounts.

3.11 Thus, the total discrepancies based on confirmation results amounted to P69.379 million, net of provision for impairment loss.

3.12 Management's actions to address discrepancies in fund transfer (FT) accounts were either insufficient or ineffective, probably due to the following:

a. The practice of issuing demand letters, which requires the submission of liquidation documents, is fragmented as this is being done by two departments, the Construction Management Department (CMD) and Financial Services Department (FSD). As a result, overlapping issuance of demand letters by both departments unnecessarily duplicate the process;

b. The issuance of demand letters is not consistently applied on all FTs;

c. Responses to demand letters were not consistently subjected to reconciliation of accounts with the concerned LGUs/NGAs; and

d. The lack of cooperation of some LGUs/NGAs is beyond the control of Management.

3.13 Data on demand letters issued by the CMD showed that majority of the FTs were not consistently monitored. FTs to LGUs in the amount of P59.547 million out of P149.055 million were not followed-up by the CMD, neither was there any request made for the LGUs to submit liquidation reports. In addition, since CY 2006, no demand letters or any action was done on the P1.961 million FTs to NGAs.

3.14 On the other hand, data from FSD showed that demand letters were sent to LGUs/NGAs with FTs amounting to P105.142 million out of the total amount of P395.150 million FTs. These pertain to the accounts confirmed by the audit team in CY 2019, nonetheless, the demand excluded FTs of P9.552 million per books of accounts as of December 31, 2020.

3.15 During the meeting held between Management and COA representatives on May 31, 2021, Management explained that in CY 2021, the CMD already stopped the issuance of demand letters and the FSD had assigned a staff to monitor the submission of certificate of liquidation of FTs that resulted in decreased discrepancies in Due from NGAs/LGUs accounts. Also, they are mulling to require NGAs/LGUs to submit in part the required documents before the release of the final tranche of the financial assistance from TIEZA.

3.16 Apparently, Management's efforts to address the issues at hand were not persistent and extensive enough to enforce the timely submission of liquidation reports by LGUs and NGAs.

3.17 We recommended that Management:

a. Maintain the assignment of a focal person to communicate directly to concerned NGAs/LGUs on the submission of required documents;

b. Assign a particular staff to reconcile discrepancies in the Due from NGAs/LGUs accounts periodically in coordination with the focal person;

c. Carry-out Management's plan of requiring the submission of certificate of liquidation of Fund Transfers (FTs) (partial) before releasing the final tranche of financial assistance to the concerned NGA/LGU. In this manner, the remaining balance of accountability subject to reconciliation will be substantially reduced; and

d. Demand the return of FTs amounting to P10.243 million confirmed as idle, suspended and unutilized by the NGAs/LGUs.

3.18 Management commented that they have been relentlessly exerting their efforts to compel the different LGUs and NGAs concerned to submit their respective liquidation reports. To date, the FSD had already liquidated a total amount of P51.845 million from the P77.586 million unrecorded discrepancies in CY 2019. Nevertheless, they assure that they will not cease employing the necessary and reasonable means to require the LGUs/NGAs to liquidate and account for the remaining balance.

3.19 Furthermore, the Legal Department undertakes to seriously look into and will closely work with the FSD and CMD to promptly resolve the matter. After collating and reviewing all pertinent documents, the Legal Department will endorse the matter to the Office of the Government Corporate Counsel (OGCC) for immediate filing of cases. Also, the Legal Department will be reviewing and amending Management's existing Memorandum of

Agreement (MOA) for transfer of fund projects, when necessary, to prevent any future unnecessary delays in the submission of liquidation reports.

3.20 In the same vein, the delay in the endorsement of the matter to the Legal Department is attributable to the present procedures and recurring practices, which requires the FSD and/or the CMD to send three demand letters to the LGUs or NGAs before raising the issue to the Legal Department. Accordingly, and as there may be other lapses in the current procedures and practices, Management is also taking an initiative to revisit and modify the same for the timely and prompt resolution.

4. Defects in the Payment Collection System (PCS) raised in prior year's audit remained unchecked in CY 2020, resulting in the CIS Bayad Center, Inc.'s (CBCI) delayed remittances of collected travel taxes amounting to P2.368 million and undeposited collections amounting to P42,200, which is disadvantageous to TIEZA.

4.1 TIEZA, cognizant of the long queuing of internationally-bound departing passengers at travel tax counters in airports, embarked on an automated way of paying travel taxes. The Management is fully aware that computerized system raises efficiency in performing specific tasks resulting in more accurate and timely financial reports.

4.2 Outbound passengers in the Philippines can pay travel taxes through the TIEZA Main Office in Pasay City, the travel tax units (TTUs) positioned in airports and other locations, or the Online Travel Tax Payment System (OTTPS) that allows payment through CBCI collection channels.

4.3 On May 24, 2019, TIEZA and CBCI entered into a Payment Collection Services Agreement (PCSA) wherein TIEZA availed of CBCI's payment collection services and payment facilities, which was customized with a Module based on the agreed final functional specifications, free of charge but the latter shall charge a transaction fee of P50 to the passenger per payment transaction. The PCSA is effective for a term of one year commencing on the date of signing by the parties and upon its expiration, shall be automatically renewed under the same terms and conditions unless either party seeks to terminate or amend the terms and conditions thereof.

4.4 During the exit conference on August 25, 2020, it was discussed that TIEZA's PCS customized by CBCI was found to be unreliable resulting in the uploading of understated Daily Collection Reports (DCRs) by P0.726 million; delayed reporting of collections amounting to P0.996 million; penalty charges amounting to P231,980; and non-closure of Reference Numbers (RNs) with validity period of 24 hours.

4.5 CBCI already remitted to TIEZA the understated collections in CY 2019 of P0.726 million and the 24-hour validity of RNs was enforced in CY 2021, while the penalty charges are still being computed. However, the system defects were not addressed and hence, the effects recurred in CY 2020 as follows: delayed remittances of P2.368 million due to delayed reporting, and undeposited collections of P42,120 due to understated DCRs. The effects could have been much higher without the travel restrictions brought by the threat of COVID-19 pandemic.

4.6 Said undeposited and delayed collections cover three to 40 days after considering the maximum time of 48 hours or two days within which the system completes a transaction. Accordingly, penalty charges amounted to P21,697, raising the total unremitted payments by CBCI to P63,817 as of December 31, 2020.

4.7 Further, the undeposited and delayed collections are contrary to the PCSA between TIEZA and CBCI which provides that collections made by CBCI shall be deposited on the next banking day to the designated depository account of TIEZA. CBCI shall ensure that the payment transactions are posted at the PCS and the DCRs are uploaded to the TIEZA work station not later than 9 am of the day following the collection date. Shortfalls in the remittance of collections are subject to daily penalty of 1/10 of one per cent of the shortfall or deficiency.

4.8 Audit disclosed the discrepancies by comparing the uploaded DCRs against the paid transactions for the day generated from the system. Using RN as key, various RNs in the paid transactions for the day were found to be either not included in the DCRs or reported as collection at a later period.

4.9 In an online meeting with the Management and CBCI representatives on May 6, 2021, CBCI acknowledged the variances of RNs in the DCRs as against TIEZA's OTTPS portal, which they belatedly discovered through manual reconciliation. CBCI said that RNs are first consolidated from the different payment portals before sending it to TIEZA. However, it was not clear if such consolidation is generated through a different system or interrupted with human intervention.

4.10 If the consolidation of collections and preparation of DCR are done outside of the PCS, which may be through another system or with human intervention, before uploading the DCR to the OTTPS, it is most likely that the interruption exposed the data to errors causing corrupted data in the DCRs and eventually, delayed and unreported/undeposited collections.

4.11 Stated otherwise and as emphasized in the previous year's audit observation, had the PCS been programmed to automatically generate the DCR, it will exactly capture the payment transactions, eliminating errors of delayed remittances and unreported/undeposited collections. Further, the DCRs will automatically be seen by users when prompted instead of waiting for CBCI's uploading. The system should also have the functionality to display errors in a dialog box to cue responsible users to look into the discrepancies (i.e., tagging of paid RNs not included in the DCRs).

4.12 Thus, the customized PCS remains highly vulnerable to errors, defeating the advantages of an automated collection and efficient reporting. While collections made through CBCI is just a fraction of the total travel tax collections, the responsibility to ensure that computerized systems are error-free is paramount in an operation that is anticipated to thrive. Equally important is the responsibility to ensure that controls are in place in the processes surrounding the system to avoid loss or wastage of government resources.

4.13 We recommended that Management:

a. **Require CBCI to remit the undeposited collections and penalty charges in the total amount of P63,817 and the penalty charges in CY 2019;**

b. **Require CBCI to upgrade the PCS by programming the automatic generation of DCRs instead of preparing the DCRs outside the system; and**

c. **Strengthen monitoring controls surrounding the PCS including the random verification on the accuracy of DCRs by the Treasury Division and the periodic review on how to upgrade the efficiency of the PCS by the Management Information System Department.**

4.14 Management commented that the undeposited collection in CY 2019 has been settled in CY 2020 in which some of the overpayments made by CBCI has been applied. However, the corresponding penalties are not yet collected due to on-going reconciliation between TIEZA and CBCI.

4.15 In the online meeting on May 6, 2021, CBCI clarified that they had upgraded the PCS with a program to automatically generate the DCRs. In this regard, the Audit Team shall validate the clear-cut and error-free features of the upgraded PCS.

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5. Non-observance of Sections 7.1 on procurement planning and 32.2.1 on bid evaluation of infrastructure projects of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, resulted in discrepancies between the items tendered by the contractors and the Bill of Quantities (BOQ) of the Authority amounting to P3.552 million.

5.1 Section 7.1 of the RIRR of RA No. 9184 states that *all Procurement should be within the approved budget of the Procuring Entity and should be* ***meticulously and judiciously planned*** *by the Procuring Entity concerned. In the case of Infrastructure Projects, the Annual Procurement Plan (APP) shall consider the appropriate timing/phasing of related project activities, such as engineering design and acquisition of right of way, site or location, to reduce/lower project cost.* (Emphasis provided)

5.2 Further, Section 32.2.1(a) of the same RIRR as emphasized in Item 15.2 of the Instruction to Bidders (ITB) provides that *bids not addressing or providing all of the required items in the Bidding Documents including, where applicable, bill of quantities, shall be considered non-responsive and, thus, automatically disqualified.*

5.3 Non-observance of the said Sections appears pervasive as this was already raised in the previous year's audit report on TIEZA but remains among the lapses in the procurement of infrastructure projects.

5.4 We refer to the following infrastructure projects entered into by the Authority and various contractors:

Date Received By COA	Project	Contractor	Contract Price	Discrepancy between Bid & BOQ
			In Philippine Peso	
10/13/2020	Restoration and Rehabilitation of Banaue Rice Terraces, Banaue, Ifugao	Hausland Construction	58,558,236	2,700,000.00
10/27/2020	Light House Park Development Project, Lobo, Batangas	Marcbilt Construction Inc. / Efren Ramirez Construction and General Service Corporation (Joint Venture)	41,858,585	470,400.00
10/27/2020	Infrastructure Projects in San Vicente Flagship TEZ, San Vicente, Palawan	InfiniteOptions, Inc	9,450,520	384,745
12/03/2020	Redevelopment of Mt. Data Lodge, Bauko Mt. Province	H.I.S. Corporations, Inc.	39,937,681.00	(3,386)
Discrepancies - Net				**3,551,759**

5.5 Restoration and Rehabilitation of Banaue Rice Terraces in Banaue Ifugao

5.5.1 The contractor included in its bid an additional scope of work pertaining to Access Road, Service Vehicle Rental and Supply of Electrical Lines and Consumption amounting to P2.7 million, which is not provided in the computation of the Approved Budget for the Contract (ABC) by the Authority.

5.5.2 Management explained that the additional items in the bid, which were found to be not included in the ABC, were deemed necessary by the bidder upon site inspection. Moreover, the bid of P58.558 million was still lower than the ABC of P59.957 million. Surely, TIEZA was never disadvantaged.

5.5.3 The Audit Team emphasized that while lapses in the procurement phases are sometimes inevitable, the non-inclusion of accessibility to the project site costing P2.7 million in the ABC is too significant to be overlooked in the procurement planning.

5.5.4 Data forwarded to the Audit Team disclosed that the aforementioned additional items deemed necessary by the contractor were negated as deductive in its Variation Order (VO) and substituted with tramlines/trolleys. The Assistant Chief Operating Officer (ACOO) of Architectural and Engineering Services Sector recommended the VO for approval and was eventually approved by the former Chief Operating Officer (COO). These changes were indeed inevitable but recurring lapses in procurement planning need to be addressed.

5.6 Light House Park Development Project

5.6.1 The bid included Item No. B.9 “Mobilization and Demobilization” amounting to P470,400, which is an essential part of the construction project but was not included in the ABC, BOQ and the Summary of Cost submitted by the Management. This indicates that the item is chargeable to the contractor, or the amount is already embedded in the BOQ. Thus, it should have not been included in the bid of any bidder for the said project.

5.6.2 Management commented that mobilization and demobilization are essential to infrastructure projects. However, these were mistakenly omitted in the BOQ for this project maybe due to several change of hands and review of the bids for the project.

5.6.3 The Audit Team agreed that mobilization and demobilization are essential to infrastructure projects. It is unfortunate that several change of hands and review of bids, which are processes intended to thoroughly check the bids, may have caused the inadvertent omission of the mobilization and demobilization for the project.

5.6.4 Procurement planners may be guided with a checklist of requirements that would include mobilization and demobilization.

5.7 Infrastructure Projects in San Vicente Flagship Tourism Enterprise Zone (TEZ)

5.7.1 Discrepancies in the net amount of P384,745 are as follows:

Particulars	TIEZA’s BOQ	Contractor’s BOQ	Discrepancies in Philippine Peso
General Requirements –Temporary Barracks	335,975	167,988	(167,987)
Port Barton Tourist Assistance Center (TAC)	38,803	349,223	310,420
Alimanguan Tourist Assistance Center (TAC)			
Concrete Works	253,169	185,061	(68,108)
Information Sign & Lighted TAC Signage	38,803	349,223	310,420
Discrepancies - Net			**384,745**

5.7.2 For the General Requirements, the contractor tendered one unit of temporary barracks as against the two units required in the BOQ.

5.7.3 For Port Barton TAC, the total discrepancy of P310,420 can be attributed to the erroneous escalating quantity in each item/supply, instead of the uniform one quantity for each of the 17 items/supplies as required in TIEZA’s BOQ (1, 1, 1…), the quantity inputted by the contractor was 1, 2, 3, 4, and on so on, such that the 17th item had

17 quantity. The error was duplicated in the Information Sign and Lighted TAC Signage under Alimanguan TAC.

5.7.4 For Alimanguan TAC Concrete Works, the contractor tendered lesser quantity of cement and sand.

5.7.5 Management commented that the project is composed of construction of two TACs. Hence, the bidder may have a mix-up in their numbers which were inadvertently missed.

5.7.6 Despite these discrepancies in the bidder's BOQ, the Alimanguan TAC was satisfactorily completed in compliance with the scope of works as of January 21, 2021, while the Port Barton TAC was partially terminated and thus leaving an estimated 48 per cent unfinished work that represents 48 per cent allocated budget which was not released due to failure of the LGU to comply with their counterpart for backfilling works in the site development, and not because of problems in funding. At the end of the day, Management's objective put forth in the scope of works will prevail despite the discrepancies in the BOQ.

5.7.7 Management acknowledged the provisions of Sec. 32.2.1(a) of the RIRR of RA No. 9184, however, they noted that it pertains to absence or failure to provide a required item including the BOQ. It does not apply to an instance when the bidder provided all the required items and more.

5.7.8 Moreover, despite the additional items in the BOQ of the bidder, the bid was still lower than the ABC. Surely, TIEZA was never disadvantaged.

5.7.9 The Audit Team rejoined that the bidder tendered 153 gallons of elastomeric paints in each TAC, which is 136 gallons more than the required quantity of 17 gallons or 900 per cent of what was required. This is not just the result of mix up of numbers, but a case of bids not addressing the BOQ of the Procuring Entity (PE).

5.7.10 To state generally that Sec. 32.2.1 (a) of the RIRR of RA No. 9184 pertains to absence or failure to provide a required item including the BOQ, and that the Section does not apply to an instance when the bidder provided all the required items and more, raises the risk that BOQs far exceeding what is required by the PE are rated as passed. Also, including quantities in the bid which are more than the required quantity in the BOQ would result in a higher bid price which will eventually become the contract price for the project. Aggravating the error is the mindset that as long as the error does not result in an entire bid that exceeds the ABC, there is no disadvantage to the government. In the case at hand, if the error remains unchecked and the amount of P310,420 is eventually paid to the Contractor, it is a clear case of overcharging.

5.7.11 Management clarified that only the required and accomplished deliverables per TIEZA's BOQ will be paid to the contractor.

5.8 Redevelopment of Mt. Data Lodge, Bauko Mt. Province

5.8.1 Under the scope of work, V. Rehabilitation of Mt. Data Lodge, the Contractor tendered lower quantities from the Authority's BOQ, resulting in under bid by P3,386.

5.8.2 Regardless of the amount involved, question arises as to the possible effects on the outcome of the projects brought by underbidding or the lesser quantity of supplies tendered and delivered by the contractors.

5.8.3 Management commented that while they are trying to be as impeccable and flawless in all their bid evaluation and processes, there will be some times that they may commit lapses or negligence in good faith.

5.8.4 Despite the additional items in the BOQ of the bidder, it was still lower than the ABC of the project. Surely, TIEZA was never disadvantaged. In fact, the project is already 81.32 per cent accomplished satisfactorily as of November 19, 2020.

5.9 The foregoing observations could have been addressed properly in the procurement planning and detailed evaluation of bids by the Technical Working Group (TWG), which is to validate the bid as free of computational errors and compliant with the requirements laid down by the PE.

5.10 It is in the process of evaluation of bids that the discrepancies should have called for the automatic disqualification of the bids as stipulated in Section 32.2.1(a) of the RIRR of RA No. 9184.

5.11 It bears stressing that remiss in the procurement planning and evaluation of bids resulted in unwarranted award of contracts, negating the purpose of RA No. 9184, and consequently depriving TIEZA of the most beneficial contracts.

5.12 We recommended that Management revisit its procurement processes and strengthen controls as follows:

a. Comply with Section 7.1 of the RIRR of RA No. 9184. In procurement planning, consistently and cautiously check the basic requirements of accessibility, right of way, clearing of informal settlers, mobilization and demobilization, including checking the proponent's compliance of its share in the program of works in case of infrastructure projects procured for LGUs or NGAs; and

b. **Comply with Section 32.2.1(a) of the RIRR of RA No. 9184. In the evaluation of bids, consistently and judiciously compare in detail the BOQ per bid as against TIEZA's BOQ. Bids not addressing or providing all of the required items in the Bidding Documents including, where applicable, bill of quantities, shall be considered non-responsive and, thus, automatically disqualified.**

5.13 Management concurred with the foregoing and committed to be more cautious in the detailed evaluation of bids, including the BOQ of the project vis-à-vis BOQ of the bidder in order to prevent and avoid similar audit observations. They assure that TIEZA will incessantly abide with all applicable laws, rules and regulations.

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6. The contract for the Establishment of Cave Lighting and Trails for the Sohoton Caves and Natural Bridge in Samar was awarded to a lone bidder without a valid Philippine Contractor Accreditation Board (PCAB) License as required in Section 23.1 of RIRR of RA No. 9184 and Item 5.1 of the Bid Data Sheet (BDS) and thus, should have been declared ineligible and the bidding should have been declared "failed".

6.1 Section 23.1 (vi) of the RIRR of RA No. 9184 provides that *for purposes of determining the eligibility of bidders in case of procurement of infrastructure projects, a valid PCAB License or Special PCAB License in case of Joint Ventures, and registration for the type and cost of the contract to be bid shall be required by the BAC.*

6.2 Item 5.1 of the BDS also specified that qualified eligible bidder shall be *with valid PCAB; Building Small B; Electrical Works Small B; and completed construction project(s) which is similar to the Project and which costs at least 50 per cent of the ABC.*

6.3 The contract and supporting documents for the Establishment of Cave Lighting and Trails for the Sohoton Caves and Natural Bridge in Basey, Samar were submitted to the Audit Team on November 19, 2020, more than one year after the conduct of bid opening on September 12, 2019.

6.4 Initial auditorial and legal review disclosed that the PCAB license of the contractor, in its submitted bid, was under the category of "Trade" and the size range of "Small A" for Water Supply and Park, Playground and Recreational Area, is not compliant to Item 5.1 of the BDS that requires bidders with valid PCAB; Building Small B; Electrical Works Small B.

6.5 Moreover, PCAB Board Resolution No. 201, series of 2017 provides that the size range of "Small A" and license category of "Trade E" is only allowed to a contract cost of up to P1 million, a limitation that puts into question the contractor's submitted P4.104 million single largest contract that is similar to the project for bid.

6.6 Hence, the bidder is ineligible for not having the required PCAB license resulting to violation of Section 23.1(vi) of the RIRR of RA No. 9184.

6.7 At the onset, the ineligibility should have been raised in the opening of bids but even after the evaluation by the Technical Working Group (TWG), the deficiency was overlooked. Consequently, the infrastructure project of P6.768 million was awarded to an ineligible contractor.

6.8 We recommended that Management:

a. Explain the BAC-TWG's non-observance of Section 23.1 of the RIRR of RA No. 9184 on the determination of eligibility of bidders; and

b. Explain why the contract on the Establishment of Cave Lighting and Trails for the Sohoton Caves and Natural Bridge in Samar should not be disallowed in audit for being awarded to an ineligible bidder.

6.9 Management commented that the sole bidder was granted a PCAB license for Trade and Small A projects but they were able to submit a Single Largest Completed Contract (SLCC) in the amount of P4.104 million, which is more than 50 per cent of the cost of the project. Upon checking, the bidder was even awarded by the LGU of Tacurong City, Sultan Kudarat for a project worth P8.314 million and by the LGU of Oroquieta City with a project amounting to P8.795 million. Thus, the bidder is capable to undertake the project.

6.10 The Audit Team emphasized at first and foremost, Instruction to Bidders (ITB) Clause 5.1 provides the eligibility of the prospective bidder required in the project is "Small B". The declared winning bidder submitted PCAB license under the Category of Small A Trade, which is only allowed up to P1 million contract cost.

6.11 Relevantly, Section 23.4.2.4 of the RIRR of RA No. 9184 provides that *the prospective bidder must have completed a SLCC that is similar to the contract to be bid, and whose value, adjusted to current prices using the Philippines Statistics Authority (PSA) consumer price indices, must be at least 50 per cent of the ABC to be bid: Provided, however, that contractors under Small A and Small B categories without similar experience on the contract to be bid may be allowed to bid if the cost of such contract is not more than the Allowable Range of Contract Cost (ARCC) of their registration based on the guidelines as prescribed by the PCAB.*

6.12 The limitations provided by PCAB on the maximum allowable contract cost per category should be observed. The bidder can only bid on government infrastructure projects which are within its PCAB registration's ARCC as can be inferred from Section 23.4.2.4 of the RIRR of RA No. 9184.

6.13 It is not enough for the contractor to show that it has the capacity to undertake the completion of the Establishment of Cave Lighting and Trails for the Sohotan Caves and Natural Bridge in Samar costing P6.768 million by satisfying the criterion on largest single completed contract. The project must also be within the ARCC of its PCAB registration to be eligible to bid in such project. Hence, considering that its PCAB registration is only under Small A category, it can only bid government infrastructure projects costing up to P1 million.

6.14 We recommended that Management stop the awarding of contracts to ineligible bidders and disqualify outright ineligible bidders such as those without valid PCAB license.

6.15 Management acknowledged that even if the lapses in the bidding activities are inevitable and even if the actual cost ultimately did not exceed the ABC of the project, they must still be mindful of the procedural requirements under RA No. 9184 in order to protect the interest and get the best possible situation for the government and TIEZA.

6.16 Management respectfully acknowledged the findings and recommendations. Moreover, Management through the different departments concerned, undertook to faithfully and fully comply with Section 7.1 and Section 23.4.2.4 of the RIRR of RA No. 9184 and other pertinent rules and regulations in connection with the existing and future infrastructure contracts entered into by TIEZA. Management commits to be more judicious and methodical in the bidding activities and evaluation of bids.

6.17 The Audit Team acknowledged Management's comments and emphasized that eligibility check is not a mere procedural requirement but indispensable to arrive at the appropriate awarding of contracts.

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7. The Authority incurred delays in the preparation and signing of contracts with the winning bidders contrary to Section 37.2.2 of the RIRR of RA No. 9184, and delays in the submission of contracts and its supporting documents to COA contrary to COA Circular No. 2009-01 dated February 12, 2009, all of which is a disservice to the intended beneficiaries of the projects.

7.1 This is an updated restatement of prior years' audit observation.

7.2 In the CY 2019 Annual Audit Report, it was raised that TIEZA incurred delays ranging from 35 to 85 days in the preparation and signing of contracts with the winning bidders, which is contrary to Section 37.2.2 of the RIRR of RA No. 9184 which requires the procuring entity to enter into contract with the winning bidder within 10 calendar days after the issuance and receipt of Notice of Award (NOA) provided all documentary requirements are complied with.

7.3 In CY 2020, the same Section was not observed on two contracts amounting to P7.241 million that were belatedly prepared and signed in CY 2020 although the corresponding NOAs were already received by the contractors in CY 2019. The incidence of deviation from Section 37.2.2 of the RIRR of RA No. 9184 could be higher if the audit team consider all the contracts entered into by TIEZA in CY 2020, of which the team have no data as of date.

7.4 Further, Management has not yet responded to COA Memorandum dated April 28, 2021 requesting for the list of infrastructure projects, goods and services, and consultancy services procured in CY 2020 through bidding or other modes of procurement.

7.5 The various contract documents transmitted to the audit team during the year for contracts amounting to P306.776 million mostly pertain to CY 2019 infrastructure projects, goods and services, and consultancy services.

7.6 Out of the 43 un-submitted contracts amounting to P368.742 million that were long overdue in CY 2019, 15 contracts amounting to P61.966 million remain un-submitted as of December 31, 2020. In addition to these are the number of contracts for CY 2020 that are still to be submitted to the audit team for review. The delay is beyond the allowable five working days from the execution of the contract as required under Section 3.1.1 of COA Circular 2009-001 dated February 12, 2009.

7.7 The delayed preparation and signing of contracts and delayed submission of contract documents to COA have been recurring since 2017, an indication of lack of action to address the matter.

7.8 **We reiterated our prior years' recommendations that Management:**

a. **Adhere to Section 37.2.2 of the IRR of RA No. 9184 on the signing or execution of contract within the prescribed period; and**

b. **Submit contracts and its supporting documents to COA within five working days from the execution of the contract in compliance with Section 3.1.1 of COA Circular No. 2009-001.**

7.9 During the exit conference, Management commented that they will adhere with the provisions of Section 37.2.2 of the IRR of RA No. 9184 and Section 3.1.1 of COA Circular No. 2009-001. However, they requested to initially submit electronically signed documents to comply with the provisions of the above-mentioned sections. Also, the Legal Department was assigned to collate all the documentary requirements for submission to COA, to reduce the delays in submission of contracts and its supporting documents.

8. TIEZA was not able to insure P8.905 billion or 97.24 per cent of its insurable Property and Equipment (PE) in violation of Section 5 of RA No. 656 also known as the Property Insurance Law, exposing the Authority to risks of financial losses caused by damage or loss due to theft, robbery, fire, earthquake, storm and other fortuitous events.

8.1 Section 5 of RA No. 656 states that *every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies*.

8.2 Inspection of insurance policies of TIEZA disclosed that out of the P9.157 billion PE, a mere 2.76 per cent or P252.394 million was insured in CY 2020, consisting of Furniture and Fixtures, IT Hardware and Equipment at TIEZA Main Office, Motor Vehicles, Watercrafts and Office Buildings at TIEZA Entities.

8.3 Thus, 97.24 per cent of the PE in the amount of P8.905 billion are not insured, thereby exposing the Authority to high risk of financial losses in case of damage or loss of property due to causes that may likely happen in the future.

8.4 We recommended that Management conform to the provisions of Section 5 of RA No. 656 in securing insurance coverage for the PE to avoid financial losses brought by unforeseen events.

8.5 Management commented that the uninsured properties are not yet turned-over to TIEZA, hence, it cannot be the subject of insurance coverages as of the moment. There is a need to evaluate the properties whether they are insurable considering their condition and current value. Management may also consider the one-time cleansing of properties and equipment that are disposable as per COA Circular No. 2020-006 dated January 31, 2020.

8.6 Nonetheless, Management undertakes to comply with the provisions of Sections 4 and 5 of RA No. 656 once the subject properties have been turned-over to TIEZA and the final inventory of insurable properties with value are determined.

9. The Gender and Development (GAD) Plan and Budget for CY 2020 was not revised and on this account, TIEZA missed its opportunity to be part of the Philippine Commission on Women's campaign for the protection of men and women against violence amidst the COVID-19 pandemic as enjoined under the Philippine Commission for Women (PCW) Memorandum Circular (MC) No. 2020-03 dated April 17, 2020.

9.1 Paragraph 4.1 of the PCW Memorandum Circular provides that *all national government agencies and its instrumentalities are enjoined to review and revised as necessary, their Fiscal Year (FY) 2020 GAD Plan and Budget (GPB) to implement measures to address gender issues and concerns arising from the unequal status of their women and men stakeholders due to the COVID-19 situation. Such measures should be in line with their respective agency mandates, RA No. 9710 or the Magna Carta of Women and the Bayanihan to Heal as one Act.*

9.2 The cited Memorandum accedes to the need of the hour as the nation faces the challenges brought by the COVID-19 pandemic, necessitating the flexibility in the adoption and implementation of GAD activities.

9.3 Studies show that gender-based violence (GBV) tends to increase during every type of emergency, including epidemics. Women and girls become more vulnerable to abuses that alarmingly happen inside their own homes. The United Nations Population Fund (UNFPA) estimated that there had been a 20 per cent increase in domestic violence globally, while in the Philippines, a study commissioned by UNFPA approximates that intimate partner violence increased by 16 per cent during this pandemic.

9.4 However, TIEZA was not able to catch up with the PCW's call to revise its GPB. For CY 2020, TIEZA's GPB amounted to P9.681 million, which represents 0.23 per cent only of its Corporate Operating Budget (COB) of P4.172 billion, lesser than the required five per cent of the agency's COB. The GPB that was subsequently approved by the PCW, includes 15 priority activities wherein the three are focused on client's projects/activities while the remaining 12 are focused on the organization's projects/activities.

9.5 The GAD Accomplishment Report (AR) showed that out of the 15 targeted activities, only six were fully implemented, three were partially implemented and six were not implemented. Only the amount of P1.366 million or 14.11 per cent of the approved GPB was utilized.

9.6 Management reported that the underspending of the GAD budget was brought by many factors such as the intermittent work suspensions due to lockdowns and the free use of social media platforms, which further resulted in savings on meals and accommodation expenses. However, the availability of online setting was not employed on two partially implemented and two cancelled activities pertaining to consultation and survey, orientation, capacity development and training.

9.7 Moreover, it is not necessary to cite in the AR that the other activities were either partially implemented or cancelled and the GAD budget was not fully utilized because pursuant to the provision of RA No. 11649 or the “Bayanihan to Heal as One Act”, TIEZA allocated P12 billion of its funds and remitted to the Bureau of Treasury as its contribution. The impact of the said P12 billion remittance on the GPB, if there’s any, is not substantiated in the details of the AR.

9.8 TIEZA can still align its GPB with PCW MC No. 2020-03 in the succeeding year and maximize the benefits of online platforms in implementing programs, activities and projects. Every agency’s contribution is notable towards achieving a meaningful, long-lasting gender equality.

9.9 We recommended that Management:

a. In the succeeding GPB, incorporate measures to address gender issues and concerns arising from the unequal status of the agency’s women and men stakeholders due to the COVID-19 situation in accordance to PCW MC No. 2020-003 dated April 17, 2020; and

b. Fully implement programs, activities and projects as planned to ensure that the intended benefits for the organization and its clients are realized.

9.10 Management commented that while it is true that TIEZA failed to revise the CY 2020 GPB, it does not necessarily mean that TIEZA missed the opportunity to be part of the PCW’s campaign for the protection of women and men against violence amidst the COVID-19 pandemic. Likewise, the revision of the CY 2020 GPB will not have a great impact in the provision of interventions against COVID-19 pandemic with reference to TIEZA’s mandate compared to the other government agencies which mandate is to address and mitigate effects on health and/or provide economic response and recovery, among others. However, Management believes that the GAD activities conducted, whether partially done or fully complete, have contributed in the said PCW’s campaign.

9.11 Management admits its failure to implement the six stated activities. However, four out of six of the said activities are reasonably unimplementable specifically item No. 7 (Maintenance of Day Care), item No. 8 (Installation of Diaper Changing Station), item No. 11 (Hiring of JO for GAD monitoring), and item No. 12 (Hiring of Teacher for Day Care).

9.12 Considering the current situation, the first two mentioned activities cannot be feasibly implemented. TIEZA employees and personnel are either on work from home set-up or rendering skeletal duty. On the other hand, the two other activities were not performed due to TIEZA’s compliance to the DBM National Budget Circular No. 580, series of 2020, or the “Adoption of Economy Measures in the Government due to the Emergency Health

Situation", which states the discontinuance on hiring of job orders, except those considered as frontliners during the state of public health emergency.

9.13 While it is true that online technology is already being adopted, Management failed to maximize the use of online platforms. Management gave priority to other more urgent COVID-19 related activities.

9.14 Nevertheless, these activities have been included in the 2021 GPB for implementation in the hope of ease of restrictions and the alleviation of the COVID-19 pandemic in the next calendar year.

9.15 In view of the foregoing, the Management shall further consider the recommendations of the Commission.

C. TIEZA ENTITIES

10. The accuracy and existence of Club Intramuros Golf Course (CIGC) Inventories amounting to P1.425 million could not be ascertained due to irregular practices such as issuance of stocks without supporting documents, incomplete maintenance of stock cards, non-conduct of complete physical inventory, and consequently, non-reconciliation of inventory count with accounting and property records.

10.1 The head of the agency concerned is responsible to ensure the faithful adherence to the policy that resources of the government, which include Inventories, are managed, expended or utilized in accordance with law or regulations and safeguarded against loss or wastage through illegal or improper disposition.

10.2 Moreover, Item V.4 of COA Circular 80-124 dated January 18, 1980 provides that *all inventory reports shall be prepared on the prescribed form (Gen. Form No. 41-A) and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The reports shall be properly reconciled with accounting and inventory records.*

10.3 However, the foregoing regulation was not observed by CIGC for the total inventories amounting to P1.425 million.

10.4 The accuracy and existence of Inventory accounts could not be ascertained due to the following irregular practices in the handling and issuance of stocks:

a. Issuances of inventories in the total amount of P202,788 cannot be substantiated in the absence of corresponding Requisition and Issue Slips (RIS) and Monthly Report on the Issuance of Supplies or other supporting documents;

b. Stock cards were not consistently maintained. No stock cards were submitted or presented for the aggregate amount of P1.053 million; and

c. Physical inventory was not conducted except for the count of items in the proshop, restaurant and bar done by the accounting staff together with the storekeeper, which resulted in a shortage of P36,410. No reconciliation was made between the inventory count and the accounting records.

10.5 The total unaccounted inventories, which can be determined by the exercise of further action by concerned personnel, may have been lost due to theft, obsolescence, spoilage, or improper disposition.

10.6 The Audit Team was not able to perform alternative auditing procedures to attest the accuracy and existence of Inventories due to the lack of internal controls in the management of inventory accounts, specifically, the unsupported issuances of stocks, incomplete stock cards, non-conduct of complete physical inventory and consequently, the non-reconciliation of the required inventory report with accounting and property records, all of which should have been subjected to examination.

10.7 We recommended and Management agreed to install internal controls in the handling and issuance of Inventories as follows:

a. Document issuances of stocks and all adjustments with the required RIS and other supporting documents;

b. Prepare the Monthly Report of Issuance of Supplies;

c. Maintain complete stock cards for all inventories;

d. Conduct annual physical count of all inventories and prepare and submit a Report on the Physical Count of Inventories (RCPI);

e. Reconcile the inventory report with the accounting and property records; and

f. Require the accounting of Inventories by implementing recommendations (a) to (e) and/or through other actions deemed necessary by Management. Determine the accountability of accountable officers if proven negligent in the performance of duties. Sanctions may be imposed in accordance with law.

11. Procurement of inventories, supplies, and other regular maintenance and operating expenses were paid on reimbursement basis and/or issuance of Reimbursement Expense Receipts (RER) utilizing the monthly cash advances for working fund in the total amount of P0.795 million disregarding COA Circular No. 2017-001 and evading standard procedures of the 2016 RIRR of RA No. 9184, rendering the expenditure irregular.

11.1 Section 7 of RA No. 9184 states that *all procurement should be within the approved budget of the Procuring Entity (PE) and should be meticulously and judiciously planned by the PE concerned. No government procurement shall be undertake unless it is in accordance with the approved Annual Procurement Plan of the PE.*

11.2 On the other hand, the RIRR of RA No. 9184 defines shopping and small value procurement as alternative modes of procurement once the following conditions are met:

a. Shopping is a method of procurement of Goods whereby the PE simply requests for the submission of price quotations for readily available off-the-shelf or ordinary/regular equipment to be procured directly from suppliers of know qualifications. This method of procurement shall be employed in any of the following cases:

a.1 When there is unforeseen contingency requiring immediate purchase: Provided, however, that the amount shall not exceed the thresholds prescribed in Annex "H" of the IRR.

a.2 Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding the thresholds prescribed in Annex "H" of the IRR.

b. Small Value Procurement is a procurement of Goods, Infrastructure Projects and Consulting Services where the amount involved does not exceed the threshold prescribed in Annex "H" of the IRR. Provided, that in case of Goods, the procurement does not fall under shopping method.

11.3 Accordingly, procurement through alternative methods shall be used only when the above conditions are met through the prescribed procedures and supported with proper documentation.

11.4 COA Circular No. 2017-001 dated June 19, 2017 prescribed the limitations on reimbursement of expenses not requiring official receipts in the discharge of official functions of government officials and employees. It only prescribes expenses amounting to P300 or less need not be supported by official receipts, except for the payment of fares in public utility vehicles who issues official receipts such as bus, train or vessel/ship; and purchases in business establishments issuing receipts.

11.5 It further prescribes that the official/employee concerned shall instead be required to submit a certification for expenses P300 or less as supporting documents, altering the previously prescribed RERs for similar transactions.

11.6 In the audit of submitted disbursement vouchers (DVs) for the period January to June 2020 of TIEZA – Gardens of Malasag Eco-Tourism Village (GMETV), the audit team observed that purchases of inventories for food supplies on the restaurant, other supplies for regular operations and various maintenance and operating expenses in the total amount of P0.795 million did not undergo proper procurement procedures despite being included in the Project Procurement Management Plan (PPMP). Instead, purchases were paid through reimbursement utilizing the cash advances for the monthly working fund. It was noted, however, that the mode of procurement indicated in the PPMP was on "requisition" and not specified as either competitive bidding or other identified alternative modes of procurement. Management also did not have an approved Annual Procurement Plan, but instead based their procurements on the PPMP and the approved annual budget from the Head Office.

11.7 Additionally, it was observed that Management still used RERs for various purchases, instead of the Certification prescribed in the above-cited Circular. Furthermore, several expenses supported by RERs exceeded P300, ranging from P400 to P3,000.

11.8 The transactions were identified as purchases for regular operations such as for the restaurant, hotel/cottages and other operating facilities inside the village premises which could not be considered as unforeseen events or emergency cases. These activities and expenses were being incurred monthly as observed in the DVs and presumed to have been planned earlier than the date of implementation, thus should have been included in the APP. Reimbursements and use of RERs could have been avoided had the programs and activities been carefully prepared and planned ahead of time.

11.9 In addition, review of the supporting documents revealed that the minimum required supporting documents such as purchase requests, canvass of quotations, purchase orders, inspection reports were not attached as an effect of the practice of purchasing through reimbursement basis.

11.10 Conditions observed were due to Management's non-adherence and not updated on the existing procedures of procurement and the related rules and regulations. It was also noted that purchases from randomly selected available suppliers were done because they found it difficult to procure from other suppliers considering that their office was located far from the city. Consequently, TIEZA-GMETV incurred irregular expenditures of P0.795 million.

11.11 **We recommended that Management:**

a. **Prepare the APP and procure goods/services in accordance with the RIRR of RA No. 9184; and**

b. **Stop the practice of reimbursement of expenses and instead effect payments through checks completely supported by necessary supporting documents and to deduct and withhold applicable taxes accordingly.**

11.12 Management committed to comply with the recommendations and stop practices that were deem inappropriate. However, they explained that GMETV was offering personalize event packages that were affordable to attract and meet the needs of the clients so they opted to purchase supplies at the public market to avail of lower prices compared to supermarkets and other establishments. Moreover, Management explained that payment through checks were not accepted by various establishments and official receipts could not be produced by the suppliers at the public market, small businesses such as for laundry and sewing services and labor for maintenance services, thus, resorting to payment through cash and issuance of RERs.

11.13 Management commented that procurement of common supplies and equipment was required by law to be purchased from the Procurement Service – Department of Budget and Management (PS-DBM). If these are not available, as determined thru their website, the agency may procure these from outside suppliers. The required supporting documents evidencing the procurement process should still be attached to the DVs.

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12. Unserviceable properties with net book value of P233,247 remained undisposed and in the books of accounts as of December 31, 2020, contrary to the provisions of Section 4 of COA Circular No. 89-296 and Sections 2 and 79 of Presidential Decree (PD) No. 1445 or the Government Auditing Code of the Philippines.

12.1 Section 4 of COA Circular No. 89-296 states that the full and sole authority and responsibility for the divestment or disposal of property and other assets owned by National Government Agencies (NGAs) or instrumentalities, Local Government Units (LGUs), and Government-Owned and/or Controlled Corporations (GOCCs) and their subsidiaries shall be lodged in the heads of the departments, bureaus, and offices of the national government, the LGUs, and the governing bodies or managing heads of GOCCs and their subsidiaries conformably to their respective corporate charters or articles of incorporation, who shall constitute the appropriate committee or body to undertake the same.

12.2 The same Circular provides the Audit Guidelines on the Divestment or Disposal of Property and Other Assets of NGAs and instrumentalities, LGUs and GOCCs and their Subsidiaries.

12.3 Section 2 of PD No. 1445 states that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.

12.4 Section 79 of the same PD states that when government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee.

12.5 TIEZA – Zamboanga Golf Course and Beach Park (ZGCBP) conducted a physical count of Property and Equipment (PE) and Inventories last November 15, 2020, then submitted the inventory report to the audit team. It was noted that unserviceable properties amounting to P233,247 which are kept within the premises of TIEZA-ZGCBP remained undisposed.

12.6 These unserviceable properties are still presented as PE in the Statement of Financial Position as of December 31, 2020. TIEZA-ZGCBP did not conduct bidding for the disposal of these unserviceable properties, and did not prepare the corresponding Inventory and Inspection Report of Unserviceable Property (IIRUP) as of December 31, 2020.

12.7 Unserviceable properties must be disposed to allow for substantial recoveries of their costs upon disposal, if found valuable. Keeping these properties in storage would expose them to elements and cause further deterioration, hence, possibly lowering the recoverable amount. If found worthless, then these must still be disposed of in accordance with Section 4 of COA Circular No. 89-296 and Section 2 and 79 of PD No. 1445. Before disposal, the IIRUP must be prepared and be used as a basis for derecognition in the books of accounts.

12.8 Due to the existence of enormous amounts of discrepancies in PE account balances of government agencies, which is a perennial issue, and the cause of non-establishment of the accuracy of the PE balances in the financial statements, the COA saw the need to provide guidelines and procedures to assist government agencies in coming up with reliable PE balances that are verifiable as to existence, condition and accountability, COA Circular No. 2020-006 dated January 31, 2020 prescribes the guidelines and procedures in the conduct of physical count of PE, recognition of PE items found at station, and disposition of non-existing/missing PE items, for the one-time cleansing of PE account balances of government agencies.

12.9 **We recommended that Management:**

a. **Instruct the Property Custodian to prepare the IIRUP as basis for disposal of unserviceable properties and derecognition by the Accounting Unit;**

b. **Expedite the disposal of unserviceable properties in accordance with the guidelines set in COA Circular No. 89-296 and Section 2 and 79 of PD No. 1445;**

c. **After the disposal, submit the fully accomplished IIRUP to the Accounting Unit to derecognize unserviceable properties from the books of accounts; and**

d. **Ensure strict compliance with COA Circular No. 2020-006 dated January 31, 2020 on the one-time cleansing of PE account balances.**

12.10 Management commented that they will comply with the above-mentioned audit recommendations.

13. Compliance with Tax Laws

13.1 Taxes withheld for the month were remitted on or before the 10th day of the following month, except those withheld for the month of December which were remitted on January 25, 2021, consistent with the required remittance on or before the 25th day of January of the following year.

13.2 In CY 2020, TIEZA remitted the following:

Income Taxes	**247,653**
Withholding Taxes - Compensation	**28,325,416**
Withholding taxes (5% VAT, Expanded & Sales/Percentage)	**43,630,523**
12% VAT	**6,758,401**

14. Compliance with Rules on Government Mandatory Deductions

14.1 For CY 2020, Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PhilHealth), and Pag-IBIG contributions withheld by TIEZA from employees' salaries, as well as the government share, were remitted in full and within the due dates.

14.2 TIEZA remitted the amounts of P53.910 million, P6.260 million, and P2.102 million representing employees' contribution, as well as the government share, to GSIS, PhilHealth, and Pag-IBIG, respectively, for the period December 2019 to November 2020.

14.3 Also, TIEZA remitted the amount of P1.529 million to SSS pertaining to the contributions of Contract of Service personnel without the employer share for the period December 2019 to November 2020.

14.4 TIEZA made the following remittances in January 2021 which represents the outstanding inter-agency payables of TIEZA to GSIS, PhilHealth, Pag-IBIG, and SSS as of December 31, 2020, as follows:

Particulars	Balance as of December 31, 2020	Remittances on January 2021
Due to GSIS	150,712	150,712
Due to PhilHealth	529,266	529,266
Due to Pag-IBIG	186,779	186,779
Due to SSS	144,340	144,340

15. Summary of Audit Suspensions, Disallowances and Charges (SASDC)

15.1 Audit suspensions, disallowances and charges as of year-end are as follows:

Audit Action	Beginning Balance January 1, 2020	Issued	Settled	Ending Balance December 31, 2020
Suspensions	11,848,864.00	0	0	11,848,864.00
Disallowances	197,344,864.90	0	29,408.14	197,315,456.76
Charges	0	0	0	0
Total	**209,193,728.90**	**0**	**29,408.14**	**209,164,320.76**

15.2 Management's reply to Notice of Suspension (NS) in the amount of P11.849 million is still under evaluation by the audit team as of December 31, 2020.

15.3 Notices of Disallowance (NDs) in the aggregate amount of P197.315 million pertains to the P12.818 million issued after the effectivity of the Rules and Regulations on Settlement of Accounts (RRSA) that have already been decided upon by the Commission Proper (CP) and are for issuance of COE; the P169.916 million with pending appeals; and the P14.581 million which are already final and executory but remained unsettled despite issuance of demand letters to the persons liable who are no longer connected with TIEZA.

15.4 Excluded from the SASDC are those NDs issued prior to the effectivity of the RRSA totaling P29.584 million, the total amount of which is already final and executory but remained unsettled despite issuance of demand letters to persons liable/responsible who are no longer connected with TIEZA.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 69 audit recommendations embodied in the previous years' Annual Audit Reports, 23 were implemented/reconsidered, 38 were partially implemented, and 8 were not implemented as shown below:

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR for CY 2019			
Observation No. 1 Page 78	The accuracy and existence of the recorded Property and Equipment (PE) including Investment Property and Service Concession Assets accounts at a total cost of P9.030 billion could not be ascertained due to partial physical inventory conducted and non-reconciliation of physical inventory results with the accounting records in violation of Section V.4 of COA Circular No. 80-124, thus casting doubt on the fair presentation of the accounts in the Authority's financial statements as required under International Public Sector Accounting Standards (IPSAS) No. 1.	a. Conduct complete physical count of assets or refrain from partial inventory taking;	*Partially Implemented* During the year, due to strict health restrictions on certain places brought by COVID-19 pandemic, the Management was not able to conduct complete inventory taking and opted to be in status quo on certain Entities and Travel Tax Units (TTUs).
		b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and	*Partially Implemented* The Partial Inventory Report submitted by the Management is still unreconciled with the accounting records.
		c. Adjust the balances per books of accounts after the reconciliation of asset account balances between the General Services Department (GSD) and Financial Services Department (FSD) to reflect the accurate balances of the PE account in the financial statements.	*Partially Implemented* Adjustments in the books will be recorded upon reconciliation of the asset account balances between the GSD and FSD. These findings were first raised in CY 2017 AAR and reiterated in CYs 2018-2019 AAR. Reiterated in Observation No. 1 of this Report.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 2 Page 80	Unreconciled discrepancies aggregating P77.586 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 Authority's financial statements as required under IPSAS No. 1.	a. Require the Construction Management Department (CMD) to consistently coordinate and follow-up with the LGUs and NGAs who replied to the confirmation letters to submit the necessary liquidation reports;	*Partially Implemented* CMD and FSD continuously sent demand letters to the proponents for the submission of necessary documents in the liquidation of fund transfers.
		b. Require the FSD to reconcile the accounts with LGUs and NGAs and adjust the books of accounts, where necessary, to arrive at the correct balances of Due from LGUs/NGAs and Subsidy to LGUs/NGAs in the financial statements; and	*Partially Implemented* Adjusting entries will be made upon the complete submission of liquidation reports to the Accounting Division.
		c. Require the Legal Department (LD) to act timely on the issuance of demand letter to the concerned LGUs and NGAs referred by the FSD or file legal action, if necessary.	*Partially Implemented* The LD undertakes to seriously look into the issues and will closely work with the FSD and CMD to promptly resolve the same. These findings were first raised in CY 2006 AAR and reiterated in CYs 2007 to 2019 AARs. Reiterated in Observation No. 3 of this Report.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 3 Page 82	Investment Property amounting to P114.241 million acquired either by purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.	Fast track the titling of Investment Property and to consider filing necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.	*Partially Implemented* During the year, no significant action taken by the pre-titling committee to facilitate the titling of TIEZA Operating and Non-operating properties. This finding was first raised in CY 2014 AAR and reiterated in CYs 2015 to 2019 AARs. Reiterated in Observation No. 2 of this Report.
Observation No. 4 Page 83	The two per cent variable component on hotel operations on top of the fixed rental rate provided under the Contract of Lease (CoL) with China Oceanis PTE., LTD. (COPL) was not recorded and collected resulting in understatement and under-collection of rental income and undisclosed share in hotel operations.	a. Assert its entitlement from hotel revenues from 2010 to present through an amendment on the Memorandum of Agreement (MOA) ratifying the payment of the two per cent share on revenues of the hotel built on the platform and collect the same; and	*Not Implemented* During the year, TIEZA demanded that COPL pay for the rental arrears and denied their request for deferment and reduction of rental rate.
		b. Explain why the recommendation was not acted upon after more than a year had lapsed.	*Reconsidered* Management disclosed that the original contract did not specify any hotel to be constructed but only specified the construction of the oceanarium and other accessory activities of the oceanarium and

Reference	Observations	Recommendations	Actions Taken/ Comments
			definitely the hotel was not part of such. The LD is looking on this matter. These findings were first raised in CY 2015 AAR and reiterated in CYs 2016 to 2019 AARs.
Observation No. 5 Page 85	Travel tax assessments amounting to P94.529 million due and collectible from different airlines remained uncollected and unrecorded, depriving the Authority as well as the National Government and other government agencies of additional funds needed for operations and understating the reported Accounts Receivable by the same amount.	a. File the necessary legal actions against erring airlines to protect the interest of the Authority or disclose if there is any alternative plan of action to effectively enforce collection; b. Set a policy or guidelines on assessments on travel taxes including dues from airlines with ceased operations and from foreign debtors who filed for bankruptcy, allowing the dropping of dormant accounts from the outstanding assessments after collection efforts have been exhausted and proved futile; and	*Partially Implemented* The Travel Tax Department (TTD) is working closely with the LD for the filing of necessary legal actions against erring airlines to protect the interest of TIEZA. *Partially Implemented* During the meeting with Management last May 31, 2021, it was discussed that Management is having an on-going coordination with the International Air Transport Association (IATA) for the centralization of collection of travel tax through airlines that will be remitted to TIEZA for a corresponding fee. These findings were first raised in CY 2007 AAR and reiterated in CYs 2008 to 2012, 2015 to 2019 AARs.

Reference	Observations	Recommendations	Actions Taken/ Comments
		c. Record in the books of accounts the tax revenue and accounts receivable of P94.529 million.	*Not Implemented* Management has not recorded the revenue as of to date.
Observation No. 6 Page 87	Receivable and Other Business Income account for the period 2006-2019 were understated due to the non-recording of TIEZA's 50 per cent share from the net revenues of San Fabian PTA Beach Resort (SFPBR).	a. Decide and act on whether to meet with San Fabian officials to discuss amicably on how they could settle their obligations or file legal action against them; and	*Implemented* Management held a meeting with the Municipal Mayor of San Fabian, Pangasinan on August 14, 2020 and discussed about TIEZA's share on revenues and collections generated by SFPBR, inventory procedures for proper turnover of the property to TIEZA and the termination of the MOA. This finding was first raised in CY 2017 AAR and reiterated in CYs 2018-2019 AARs.
		b. Consider another business plan on this property upon the expiration of the MOA with the Municipality of San Fabian that would ensure sustainability of the Beach Resort and the inflow of financial benefits to TIEZA.	*Implemented* Management is planning to privatize the property.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 7 Page 89	Receivable, guaranty deposits and liability accounts amounting to P301.026 million, P15.073 million and P44.448 million, respectively, remained dormant for five years to more than 10 years, necessitating the filing of requests for write-off of receivable accounts with the COA; refund of guaranty deposits; and the reversion of liability accounts to Retained Earnings (RE).	a. Require the FSD in collaboration with the LD to file requests for write-off of dormant accounts with COA duly supported with documents pursuant to COA Circular No. 2016-005 and COA Resolution No. 2016-022 both dated December 19, 2016 on the proper disposition/closure of dormant funds and/or accounts;	*Partially Implemented* Management is continuously sending demand letters to various debtors. Management submitted their request for write-off of Accounts Receivable and Other Receivable accounts in CY 2021 subject to evaluation of supporting documents.
		b. Require the LD to file legal actions, against Metropolitan Cebu Water District (MCWD), if warranted, to settle the discrepancy on Interest Receivable amounting to P3.823 million;	*Reconsidered* Management still has no legal action to settle the discrepancy with MCWD on the computation of interest charges, however, they provided impairment loss for the total amount of P3.823 million during the year.
		c. Require the FSD to analyze the Guaranty Deposit account and enforce the refund of dormant accounts amounting to P15.073 million; and	*Partially Implemented* Analysis of the Guaranty Deposit account shows that some of the companies listed under the account no longer exist, thus enforcement of refunds may not be possible. However, the FSD will exert more effort to enforce refunds as to the

Reference	Observations	Recommendations	Actions Taken/ Comments
		d. Require the FSD to revert to Retained Earnings the liability accounts aged two years and above as enumerated in the audit observation in compliance to COA Circular No. 99-004 dated August 17, 1999.	other deposited amounts. *Implemented* Management adjusted those liability accounts that aged more than two years and above under JEV numbers 2020-01-000129, 02-002135, 03-003263, 03-003276, 03-003343, 07-004461, 10-006402, and 10-006726. These findings were first raised in CY 2014 AAR and reiterated in CYs 2015 to 2017, and 2019 AARs.
Observation No. 8 Page 94	Dividends due to the National Government (NG) amounting to P6.664 billion based on the taxable income and net earnings derived from operations for Dividend Years (DYs) 2010-2018 remained unrecorded in the books of accounts in violation of Republic Act (RA) No. 7656, otherwise known as the Dividends Law, and its 1998 Implementing Rules and Regulation (IRR) and 2016 Revised IRR (RIRR).	Declare and record in the books of accounts the dividends due to the NG from DYs 2010-2018 in the amount of P6.664 billion and every year thereafter as provided under Sections 5 and 7 of the IRR, s. 1998 and RIRR, s. 2016 of the Dividends Law. The said amount covers net earnings from tax revenue and service and business income commencing from 2010, the year of effectivity of RA No. 9593, otherwise known as the Tourism Act of 2009.	*Partially Implemented* Management reiterates their position that TIEZA's share of the travel tax is not an "income" or "net earnings" as contemplated by RA No. 7656. The amount retained by TIEZA from its travel tax collections are proceeds of a tax itself or an appropriation by Congress; tax collection cannot and should not be considered as an income.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 9 Page 98	TIEZA was not able to insure P3.705 billion or 93.13 per cent of its insurable Property and Equipment (PE) in violation of Section 5 of RA No. 656 also known as the Property Insurance Law, exposing the Authority to risks of financial losses caused by damage or loss due to theft, robbery, fire, earthquake, storm and other fortuitous events.	Conform to the provisions of Section 5 of RA No. 656 in securing insurance coverage for the PE to avoid financial losses brought by unforeseen events.	*Partially Implemented* Management committed to undertake necessary steps to adhere to the provisions of the Insurance Law. However, during the year, the insurable PE of the Authority remained partially insured. Reiterated in Observation No. 8 of this Report.
Observation No. 10 Page 99	The dual role of TIEZA as investor and regulator of the Boracay Island Water Company, Inc. (BIWCI), if not properly addressed, may raise conflict of interest. Moreover, the creation of two or more regulatory offices could affect the efficiency of public services within enterprise zones.	a. Revisit the provisions of the Joint Venture Agreement (JVA) and Concession Agreement (CA) with Manila Water Company, Inc (MWCI) and BIWCI, respectively and study actions to take so as not to impair the independence of the TIEZA Regulatory Office (TRO); and	*Partially Implemented* The Audit Team requested that Management provide copies of the results of the review on the JVA and CA with MWCI and BIWCI, respectively, by the Office of the Government Corporate Counsel (OGCC) in December 2019. However, no update on the results of the review were given to the Audit Team as of to date.
		b. Consider the centralization of TIEZA's regulatory power to enhance the delivery of service within tourist zones.	*Reconsidered* Management explained that TRO is directly reporting to the Board of Directors of TIEZA and does not report to TIEZA Management. The Tourist Enterprise Zone (TEZ) Regulator concentrates on the

Reference	Observations	Recommendations	Actions Taken/ Comments
			redevelopment of the TEZ area, while the TRO focuses on the water system. However, the TRO is being funded by the concession rate taken from Boracay only, thus, it is not fair to use the money of Boracay to regulate other TEZ areas.
Observation No. 11 Page 99	The retention period of travel tax collections from 30 to 45 calendar days by airlines based on Rule XI of the 1979 RIRR of Presidential Decree (PD) No. 1183, as amended, unnecessarily impede the timely inflow of funds to the government.	Respectfully propose to the Secretary of Department of Tourism for the revision of Section XI of the RIRR of PD No. 1183, as amended, to impose the remittance of online travel tax collections on the next banking day, and the Counter and Billing and Settlement Plan (BSP) collections within seven days after the date of collection in order for TIEZA to avail of investment opportunities and keep abreast with the best business practices relevant to our times.	*Partially Implemented* TIEZA has communicated the audit observation to the airlines. However, majority of response received from the airlines are in negative position. During the meeting with Management last May 31, 2021, it was discussed that the Management is having an on-going coordination with the International Air Transport Association for the centralization of collection of travel tax through airlines that will be remitted to TIEZA for a corresponding fee.
Observation No. 12 Page 104	TIEZA's payment collection system (PCS) customized by CIS Bayad Center, Inc. (CBCI) was found to be unsound resulting in the uploading of	a. Require CBCI to remit the undeposited collections and penalty charges, in the total amount of P0.958 million;	*Partially Implemented* To date, the principal amount has been remitted by CBCI, however, the penalty charges are not yet collected.

Reference	Observations	Recommendations	Actions Taken/ Comments
	understated Daily Collection Reports (DCRs) by P0.726 million; delayed reporting of collections amounting to P0.996 million; penalty charges amounting to P231,980 as of to date; and non-closure of Reference Numbers (RNs) with validity period of 24 hours.	b. Require the Management Information System Department (MISD) to review the system flaws and its root causes whether in the uploading or the payment collection program;	*Partially Implemented* The MISD is still reviewing the system flaws observed by the Audit Team.
		c. Require CBCI to fix/solve the gathered root causes of the system flaws to eliminate erroneous DCRs and non-closure of RNs;	*Partially Implemented* CBCI enforced the 24-hour validity on RNs in CY 2021. However, there are still undetected system flaws upon conducting manual reconciliation.
		d. Consider requiring CBCI to explain how the system flaws existed and why these should not be regarded as a breach of the Agreement;	*Implemented* A meeting was held on May 6, 2021 between the Management and CBCI and they admitted the system flaws during the conduct of manual reconciliation.
		e. Consider working with CBCI to amend disadvantageous terms and conditions of the Agreement; and	*Partially Implemented* Management is working closely with CBCI to correct and eliminate the system flaws.
		f. Strengthen monitoring controls surrounding the PCS including, among others, the random verification of DCRs against the payment	*Partially Implemented* Management is working closely with CBCI to correct and eliminate the system flaws.

Reference	Observations	Recommendations	Actions Taken/ Comments
		transactions generated by the system.	This finding was first raised in CY 2019 AAR. Reiterated in Observation No. 4 of this Report.
Observation No. 13 Page 107	The objective of the MOA between TIEZA and the Bureau of Immigration (BI) to facilitate the verification of the accuracy and completeness of travel taxes collected by carriers using the accomplished Arrival/Departure (AD) Cards was not realized due to the non-filling-up of airline ticket numbers and non-submission of the needed data to TIEZA.	Work for the amendment of the MOA with the BI to require strict compliance of filling-up the required airline ticket numbers in the A/D cards of departing passengers and explain why the recommendation was not acted upon and why no personnel was assigned to assist in the encoding of accomplished A/D cards.	*Partially Implemented* Management is still coordinating with the BI on the update of MOA amendment and the online application for the A/D cards. This finding was first raised in CY 2018 AAR and reiterated in CY 2019 AAR.
Observation No. 14 Page 109	It is grossly disadvantageous to the Government that the Contract of Lease (Platform) between TIEZA and China Oceanis PTE., LTD. (COPL) that was executed on April 25, 2005 to expire on April 24, 2030 was prematurely renewed on October 9, 2015 for another 25 years, extending the effectivity of the contract from 2030 to 2055.	a. Review the renewal of contract of lease, which is not yet due to be implemented, and consider amendments for the best interest of the Government; and b. Explain why the recommendation was not acted upon after more than a year had lapsed.	*Reconsidered* To date, the Team issued AQM No. 2021-02 for an enlightenment for the Management's comment during CY 2019 Exit Conference that the renewal was not approved by the Board of Directors, thus, the contract is not valid. *Reconsidered* Management commented in CY 2019 Exit Conference

Reference	Observations	Recommendations	Actions Taken/ Comments
			that the renewal was not approved by the Board of Directors, thus, the contract is not valid.
Observation No. 15 Page 112	The Authority's non-action on the continuous occupancy of Baguio-Benguet Chamber of Commerce and Industry, Inc. (BBCCII) on its property despite its violation of the Contract of Lease (CoL) deprives the Authority of opportunities for better use of the property and the income that could be derived therefrom.	Act on their commitment to follow-up with the Office of the Government Corporate Counsel (OGCC) relentlessly to ensure the filing of legal action against BBCCII to vacate the leased premises without prejudice to the payment of arrears on lease and provide this Office with an update or a copy of the legal case filed.	*Partially Implemented* The matter was already endorsed to the OGCC for legal representation and filing of the necessary legal action on this matter.
Observation No. 16 Page 113	The Authority incurred delays in the preparation and signing of contracts with the winning bidders contrary to Section 37.2.2 of the RIRR of RA No. 9184, and delays in the submission of contracts and its supporting documents to COA contrary to COA Circular No. 2009-01 dated February 12, 2009, all of which is a disservice to the beneficiaries of the projects.	a. Strictly adhere to Section 37.2.2 of the IRR of RA No. 9184 regarding the execution of contract within the prescribed period; and b. Submit contracts and its supporting documents to COA within five working days from the execution of the contract in compliance with Section 3.1.1 of COA Circular No. 2009-001.	*Not Implemented* Management still incurred delays in the preparation and signing of infrastructure contracts during the year. *Not Implemented* Management still incurred delays in the submission of contracts and supporting documents to the Audit Team during the year. These findings were first raised in CY 2016 AAR and reiterated in CYs

Reference	Observations	Recommendations	Actions Taken/ Comments
			2017-2019 AARs. Reiterated in Observation No. 7 of this Report.
Observation No. 17 Page 115	The bid of the winning bidder of Mindanao Tourism and Cultural Village Center project was declared as the lowest calculated responsive bid despite the discrepancy between the quantities of eight items in the Bid Form and the Bill of Quantities (BoQ), which is a ground for disqualification under Section 32.2.1.a of the RIRR of RA No. 9184, the Government Procurement Reform Act. Even granting that the declared winning bid is justified, the contract price in the amount of P88.877 million was not adjusted to current prices despite being overstated by P5.554 million due to erroneous computation of the Approved Budget of the Contract (ABC) that was based on Department of Public Works (DPWH) Department Order (DO) No. 072, series of 2012 instead of DO No. 22, series of 2015.	a. Adhere to Sections 31.1 and 61.2 of the RIRR of RA No. 9184 and the prevailing DO on the preparation of the ABC or contract price adjustment;	*Reconsidered* Management explained that the draft ABC was prepared prior to the passing of the DPWH DO. The final ABC was inadvertently overlooked.
		b. Adhere to Section 32.2.1(a) of the same RIRR on the conformity of Bid Form with the BoQ;	*Reconsidered* Management assured that the errors, including that of the bid form, were unintentional and that utmost diligence will be observed to avoid recurrence of the same.
		c. Adhere to Sections 32.2 and 34.3 of the same RIRR and require the Technical Working Group (TWG) to submit a complete and detailed report of Bid Evaluation and Post-qualification on the Mindanao Tourism and Cultural Village Center, Davao City project; and	*Partially Implemented* To date, Management only submitted the checklist on Bid Evaluation and Post-Qualification.
		d. Explain why the payment for the contract on the said project should not be disallowed in audit, in whole or in part, due to violations of	*Implemented* The explanation was accepted by the Audit Team during the exit conference.

Reference	Observations	Recommendations	Actions Taken/ Comments
		Sections 31.1, 61.2 and 32.2.1(a) of the RIRR of RA No. 9184 and DO No. 22, series of 2015.	
Observation No. 18 Page 117	The Removal of Hill Obstruction project at San Vicente Airport was awarded for implementation despite the unsettled land dispute between the alleged owner of the project area and the Municipality of San Vicente and before the signing of the MOA between TIEZA and the same Municipality in violation of Section 17.6 of the RIRR of RA No. 9184 and Section 56 of the Local Government Code of the Philippines.	a. Adhere to Section 17.6 of the RIRR of RA No. 9184 and Section 56 of the Local Government Code of the Philippines so as to avoid incurrence of delayed projects;	*Reconsidered* Management explained that prior to the preparation of plans, a technical team with a geodetic engineer was then consigned to conduct a ground survey and identify the boundaries of the property. Accordingly, the LGU assured them that the land was cleared from disputes and the claim of alleged owners just came up during the construction of the project.
		b. Closely coordinate with LGUs before and after project implementation so that any problems and delays will be mitigated; and	*Reconsidered* Management assured that the issue will not happen again.
		c. Explain why no audit disallowance shall be issued on this contract considering it violated Section 17.6 of the RIRR of RA No. 9184.	*Implemented* The explanation was accepted by the Audit Team during the exit conference.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 19 Page 119	TIEZA incurred pecuniary loss amounting to more or less P0.912 million in its contract with Calcab International Builders Corporation (CIBC) for the emergency works at Banaue Hotel and Youth Hostel (BHYH) due to TIEZA's non-compliance with Sections 7.1, 4.2 of Annex E and 39.4 of the RIRR of RA No. 9184 or the Government Procurement Reform Act.	Explain why the lapses in planning occurred that contributed to the non-completion of the contract for the Emergency Works for Compliance with Fire Department at BHYH by and between TIEZA and CIBC and why the disbursements of P0.912 million should not be disallowed in audit due to violations of Sections 7.1, 4.2 of Annex E and 39.4 of the RIRR of RA No. 9184.	*Implemented* Management admitted that they will be more careful in planning and preparation of the program. They committed to be more cautious and plan carefully for their projects. During the CY 2021, Management has an on-going bidding for the remaining unfinished emergency work.
Observation No. 20 Page 122	The ABC for the Rehabilitation of Perimeter Fence at Zamboanga Golf Course and Beach Park (ZGCBP), Upper Calarian, Zamboanga City do not concur with the Detailed Estimates on two work items, in violation of DPWH DO No. 197 dated October 07, 2016.	Explain the discrepancies between the ABC and the Detailed Estimates; what actions were done to rectify the error; whether the project was affected or not; and what measures to take to avoid its recurrence considering that TIEZA is infrastructure intensive.	*Implemented* The Project Evaluation and Planning Department (PEPD) inadvertently overlooked the errors and should have deleted Item No. VI and excluded Item No. VII No. 2 gate equipment during the computation of the total of the Summary Cost.
Observation No. 21 Page 123	Discrepancies in the representation of the RNMK on the licenses of its engineers, that should have disqualified them from the awarding of the contract, were overlooked in the bidding process and post qualification.	Explain how the inconsistencies in the RNMK's documents were resolved without violating the provisions of the RIRR of RA No. 9184.	*Implemented* Management explained that the discrepancies were never intentional. All procurement papers go through the time-demanding scrutiny and evaluation of the single Bids and Awards Committee

Reference	Observations	Recommendations	Actions Taken/ Comments
			(BAC) - Technical Working Group (TWG).
Observation No. 22 Page 125	The hiring of private lawyers for Calendar Year (CY) 2019 amounting to P2.699 million without the written conformity and acquiescence of the Government Corporate Counsel and written concurrence of the COA as provided in Section 3 Memorandum Circular No. 9, s. 1998 and COA Circular No. 95-011 dated December 4, 1995, is deemed irregular.	Explain why an audit disallowance should not be issued on the disbursements of P2.699 million for the hiring of private lawyers in violation of COA Memorandum Circular No. 9 s. 1998 and COA Circular No. 95-011 s. 1995.	*Implemented* During the year, no private lawyers were hired and Management has already filled the plantilla position for the lawyers hired during CY 2019.
Observation No. 23 Page 126	Group Personal Accident Insurance (GPIA) of TIEZA Officers and Employees was procured without legal basis.	Stop the disbursements for GPAI premiums unless the approval or authority to incur the same is obtained from the Office of the President through the DBM.	*Reconsidered* Management complied with the provisions of Memorandum Circular No. 33, series of 1997 of the Civil Service Commission, stating that Head of Agencies shall provide accident/risk insurance to officials and employees.
Observation No. 24 Page 128	The Gender and Development (GAD) Accomplishment Report lacks qualitative success indicators to gauge whether or not the objectives were	The GAD Focal Point System (GFPS) include qualitative success indicators in the targeted activities during the GAD planning to be able to gauge whether or not	*Partially Implemented* Management adopted post-evaluation report on every activity they have conducted as their feedback

Reference	Observations	Recommendations	Actions Taken/ Comments
	achieved as intended.	GAD activities were effectively discharged to ensure that planned objectives are achieved.	mechanism for each activity. Also, they agreed to take note of the recommendation on their annual GAD Planning and Budgeting for the succeeding year. However, Management have not included the qualitative success indicators on their GFPS for CY 2020.
AAR for CY 2018			
Observation No. 6 Page 78	The incremental rental rates provided under the CoL with 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.	Enforce the collection of P2.355 million and record the same representing incremental lease rates as provided in the contracts entered into with COPL.	*Partially Implemented* Management billed the incremental rate provisions for the annual fixed rental of COPL in 2018. However, to date, COPL has not paid any amount on the incremental revenue. These findings were first raised in CY 2015 AAR and reiterated in CYs 2016 to 2019 AARs.
Observation No. 9 Page 83	Receivables of Club Intramuros Golf Course (CIGC) aggregating P9.730 million have been dormant for more than five years.	a. Establish a sound internal policy/ guidelines for accounts receivable management that will facilitate collection;	*Partially Implemented* Management is processing the review and implementation of CIGC's policy on granting of Accounts Receivable.

Reference	Observations	Recommendations	Actions Taken/ Comments
		b. Observe guidelines set under COA Circular Nos. 97-001 and 2016-005 for the following:	*Partially Implemented*
		b.1 Perform a detailed review of past due accounts;	CIGC Management is reviewing all past due accounts.
		b.2 Resolve items with dispute;	
		b.3 Provide an adequate allowance for doubtful accounts; and	CIGC Management provided and recorded the allowance for doubtful accounts during the year.
		b.4 Apply for write-off of dormant accounts	CIGC accounting will draft request for write off of dormant accounts upon compilation and reconciliation of its supporting documents.
		c. Coordinate with TIEZA's Office of the Corporate Legal Counsel for the execution of the court's decision for the possible recovery of the amount due from KCS. Consider the provision of the above-mentioned Circular on write-off of receivables in case of remote probability of collection.	*Partially Implemented* CIGC Management had already coordinated with the TIEZA's LD. However, the writ of execution can only be pursued upon the availability of Kayumanggi Catering Services' updated corporate address. These findings were first raised in CY 2016 AAR and reiterated in CY 2017 and 2018 AAR.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 14 Page 90	The technical evaluation and inspection of TIEZA's Online and On-Site Travel Tax Privilege Application and Payment System (OOTTPAPS) disclosed that the winning bidder, Cyware Incorporated (Cyware), was non-compliant with the agency requirements.	Explain why no Notice of Disallowance should be issued due to the deficiencies noted in the technical evaluation and inspection of OOTTPAPS and the additional expenses incurred in cloud hosting.	*Partially Implemented* Management sent various communication letters to the developer requesting their comments on the COA audit observations. To date, Management is still waiting for the reply of the developer.
Observation No. 17 Page 96	Honoraria amounting to P222,000 paid to OSG lawyers were not in accordance with the provision of the MOA entered into by TIEZA and OSG.	Revisit the MOA regarding the reasonable number of OSG lawyers assigned to TIEZA considering the number of in-house lawyers in the Authority.	*Reconsidered* Management no longer avails the service of OSG lawyers except those who assist on old pending cases.
Observation No. 22 Page 101	The grant of discounts to golf players was without legal basis.	Submit the legal basis of granting discounts and FOC to golf players or stop the irregular practice.	*Partially Implemented* Management will propose to the Board of Directors guidelines on granting discounts which were provided on their operations manual. These findings were first raised in CY 2014 AAR and reiterated in CYs 2015 to 2018 AARs.
Observation No. 24 Page 103	Present condition of various TIEZA properties as observed during ocular inspection necessitates legal action and rehabilitation to	Authorize the Asset Management Sector (AMS) and the Legal Department to initiate actions to resolve the encroachment of various TIEZA properties in order to	*Partially Implemented* One of the responsibilities of the created pre-titling committee is to initiate actions to resolve the issues of

Reference	Observations	Recommendations	Actions Taken/ Comments
	mitigate the risks of further encroachment and opportunity loss due to non-operation.	reclaim these properties and mitigate the risks of further encroachment and relocation costs.	encroachment on various TIEZA properties. However, due to the on-going pandemic, Management is limited to inspect and travel on the said properties.
Observation No. 25 Page 107	The purpose of the P38.864 million investment in the development and installation of the OOTTPAPS was not maximized due to its premature shelving brought by the data breach in 2017. And Cyware, the contractor, was not held accountable for the data breach.	Explain why no legal action was taken against Cyware for their accountability on the data breach and initiate legal actions, if necessary.	*Partially Implemented* Management requested from COA to give them more time and opportunity to investigate and resolve the matter.
AAR for CY 2017			
Observation No. 14 Page 100	Audit disallowances amounting to P42.589 million remain unsettled.	a. Exert extra effort to enforce immediate settlement of all long outstanding disallowances, especially for persons liable who are still with TIEZA. For those who are no longer with TIEZA, take legal actions, as appropriate; and b. Comply with the provisions of Section 7.1 of COA Circular No. 2009-006 dated September 15, 2009 prescribing the Use of the Rules and Regulations on	*Partially Implemented* The Financial Services Department is continuously sending demand letters to persons liable for the settlement of long outstanding disallowances. *Partially Implemented* Collections were partially received from persons liable under COE No. 2017-064 dated June 23, 2017 and COE

Reference	Observations	Recommendations	Actions Taken/ Comments
		Settlement of Accounts which provides that the head of agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that the settlement of disallowances and charges is made within the prescribed period.	No. 2015-012 dated May 20, 2015. These findings were first raised in CY 2011 AAR and reiterated in CYs 2012, 2015 to 2017 AARs.
Observation No. 20 Page 112	Deficiencies were noted on the Study Leave Program granted to employees of TIEZA.	Secure the approval of the President of the Philippines thru the Governance Commission for GOCCs (GCG) for its Career Development Plan particularly the payment of the review or tuition fees to the qualified grantee.	*Partially Implemented* In previous year, Management commented that they will prepare necessary amendments in the TIEZA Career Development Plan which will be forwarded to TIEZA Board Secretariat for endorsement to the GCG for review and approval. However, no update was made during the year.
Observation No. 21 Page 113	TIEZA paid the amount of P274,232 for the Training Executive Development Program (TEDP) in the absence of legal basis.	Provide legal basis and justification to support the incurrence of the mentioned expenditures; otherwise, we shall be constrained to disallow the said expenses amounting to P274,232.	*Not Implemented* To date, Management has not submitted any legal basis or justification to support the expenditures for TEDP.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 26 Page 120	Properties of TIEZA Entities remain unutilized:		
	a. BHYH Employees' Quarters costing P8.957 million remain unutilized for more than four years since its construction;	a. Prioritize the follow-up of the case and of assistance from the LD of TIEZA Head Office (HO) in the civil case filed against the claimant of the BHYH land;	*Partially Implemented* Hearing for the existing case was cancelled in CY 2020 due to the pandemic and no schedule yet for the current year.
	b. The construction of eight cottages in CY 2015 amounting to P27.020 million remains incomplete and not operational despite the lapse of the projects' contract period.	b. Propose plans for the immediate use of the BHYH Employees' Quarters as intended in order to prevent further deterioration; and	*Not Implemented* Plans were already forwarded to the HO. A copy of the plans will be furnished to the Audit Team once approved.
		c. Request the HO for copies of MOA/Contract to be used as Garden of Malasag Eco-Tourism Village (GMETV's) reference in their monitoring.	*Implemented* TIEZA HO provided the MOA to GMETV during the CY 2020.
Observation No. 27 Page 122	A discrepancy of P4.509 million was noted between the recorded Accounts Receivable of BHYH and the balances confirmed by various government agencies.	Require the Accountant to exert effort to verify and reconcile trade receivable account balances with their clients and enforce collection of the amount as reconciled.	*Implemented* Management has already reconciled the trade receivable accounts.

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR for CY 2015			
Observation No. 3 Page 38	On the basis of the COA-TAS technical review and the auditorial and legal review, several deficiencies were noted in the contract between TIEZA and Lourel Design and Construction (Lourel) for the Restoration of Carlos “Botong” Francisco Murals.	Charge the contractor liquidated damages of P148,735.56 for the delay incurred in the completion of the project.	*Not Implemented* To date, Management has not charged the contractor for the liquidated damages.
Observation No. 15 Page 56	Inadequacies and deficiencies in the accounting and management of PPEs of BHYH with a net book value of P126.811 million.	Require the Property Officer at BHYH to locate the documents pertaining to the remaining unserviceable property amounting to P75,948.	*Partially Implemented* Submitted the Official Receipts and the listed items did not coincide with the submitted list of properties disposed.
Observation No. 16 Page 58	Discrepancies noted in the transfer of equipment and inventories to BHYH from Hilaga (Paskuhan).	Appraise the unserviceable equipment transferred from Hilaga and render report thereon for immediate disposal to prevent further deterioration.	*Partially Implemented* To date, appraisal was made for several Hilaga equipment but remained undisposed.
AAR for CY 2013			
Observation No. 5 Page 39	The guidelines in the preparation of the ABC were not strictly followed by the Authority. • Error in the computation of Contractors Profit for the Project Visitors Information Center and Rest Area located at Bansud, Oriental Mindoro	Recover excess amount paid to contractors, if any, as a result of errors in the computation of ABC.	*Not Implemented* To date, there is no action from Management.