



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, 2021 and 2020, 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, 2021, 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, 2021, 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 completeness and existence of the recorded Property and Equipment including Investment Property and Service Concession Assets accounts could not be ascertained due to unaccounted and unreconciled balance of P379.381 million (at cost) between the results of physical count against the balance recorded in the books of accounts.

We were not able to conduct alternative audit procedures in the absence of a reconciliation on the said unaccounted and unreconciled balance. Consequently, we were unable to determine whether any adjustment is necessary.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of TIEZA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 32 to the financial statements which describes the cases/petitions pending 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.

Other Matter

The TIEZA Regulatory Office (TRO), which was created to regulate the Joint Venture Company – Boracay Island Water Company, Incorporated pursuant to Article 11 of the Concession Agreement signed on December 17, 2009 by and between TIEZA and BIWCI, did not apply for registration and Tax Identification Number with the Bureau of Internal Revenue and did not pay taxes on its annual income paid by BIWCI for Calendar Years 2009 to 2021 estimated at P69 million inclusive of basic tax, interests, surcharges and compromise charges. This audit observation was issued to TIEZA on February 23, 2022, and TRO Management on February 28, 2022; discussed during the exit conference with TIEZA on May 30, 2022; and will be included in the initial Annual Audit Report on the TRO which is yet to be released. 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

May 30, 2022



Republic of the Philippines
Tourism Infrastructure & Enterprise Zone Authority

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, 2021 and 2020, 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.

ENGR. CHRISTOPHER V. MORALES, CESO II
Alternate Chairperson

MARK T. LAPID
Chief Operating Officer
RODOLFO E. ANCHETA
Manager, Financial Services Department

MAY 30 2022

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	1,085,957,933	1,314,375,497
Investment in Time Deposits	5	0	400,440,000
Financial Assets - Held to Maturity	5	350,000,000	475,000,000
Receivables, net	6	62,324,123	48,159,495
Inventories	7	17,627,115	14,165,420
Other Current Assets	8	115,505,498	132,653,261
		1,631,414,669	2,384,793,673
Non-Current Assets			
Financial Assets - Held to Maturity	5	412,278,005	762,278,005
Investment in Associate	9	219,017,725	207,628,805
Receivables, net	6	619,216,069	462,595,656
Investment Property, net	10	313,332,011	320,800,023
Property and Equipment, net	11	5,766,751,735	5,728,375,143
Service Concession Assets, net	12	1,687,735,506	1,802,048,062
Other Non-Current Assets	8	143,985,501	135,348,860
		9,162,316,552	9,419,074,554
TOTAL ASSETS		10,793,731,221	11,803,868,227
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	225,717,685	231,765,436
Inter-Agency Payables	14	196,502,463	163,364,005
Deferred Credits/Unearned Income	15	101,979,695	103,303,771
Provisions	16	100,460,712	96,755,097
Other Payables	17	25,894,600	28,513,085
		650,555,155	623,701,394
Non-Current Liabilities			
Financial Liabilities	13	87,612,613	122,729,870
Trust Liabilities	18	131,196,430	125,512,309
Deferred Credits/Unearned Income	15	1,275,956,168	1,373,240,685
Other Payables	17	83,796,678	47,268,499
		1,578,561,889	1,668,751,363
TOTAL LIABILITIES		2,229,117,044	2,292,452,757
Net Assets (Total Assets Less Total Liabilities)		8,564,614,177	9,511,415,470
NET ASSETS/EQUITY			
Share Capital	30	10,850,215	10,850,215
Accumulated Surplus	30	8,553,763,962	9,500,565,255
TOTAL NET ASSETS/EQUITY		8,564,614,177	9,511,415,470

The notes on pages 11 to 79 form part of these financial statements.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
Revenue:			
Tax Revenue	19	166,199,545	467,934,245
Service and Business Income	20	276,548,544	377,303,188
		442,748,089	845,237,433
Current Operating Expenses			
Personnel Services	21	416,647,613	398,051,448
Maintenance and Other Operating Expenses	22	437,292,783	508,211,727
Financial Expenses	23	4,537,863	6,023,059
Direct Costs	24	4,530,841	5,540,916
Non-Cash Expenses	25	294,458,985	245,680,194
		1,157,468,085	1,163,507,344
Loss from Operations		(714,719,996)	(318,269,911)
Non-Operating Income (Loss)	26		
Gain on Foreign Exchange		8,639,799	3,125,673
Gain on Sale of Assets		0	17,573
Miscellaneous Income		613,308	640,261
Losses		(57,719,625)	(27,020,088)
Loss Before Tax		(763,186,514)	(341,506,492)
Income Tax Expense		74,022	247,653
Loss After Tax		(763,260,536)	(341,754,145)
Net Assistance/Subsidy/ (Financial Assistance/Subsidy/Contribution)	27	(189,520,869)	(118,281,906)
Net Loss for the Period		(952,781,405)	(460,036,051)

The notes on pages 11 to 79 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, 2021 and 2020
(In Philippine Peso)

	Note	Accumulated Surplus	Share Capital	Total
BALANCE AT JANUARY 1, 2020		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
CHANGES IN NET ASSETS/EQUITY FOR CY 2021				
Loss for the Year		(952,781,405)		(952,781,405)
Other Adjustments	30	5,980,112		5,980,112
BALANCE AT DECEMBER 31, 2021		8,553,763,962	10,850,215	8,564,614,177

The notes on pages 11 to 79 form part of these financial statements.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	495,997,656	1,785,862,713
Collection of Receivables	18,198,912	24,889,114
Receipt of Inter-Agency Fund Transfers	27,318,403	61,749,917
Receipt of Intra-Agency Fund Transfers	69,415,706	115,133,841
Trust Receipts	103,374,852	38,796,297
Other Receipts	1,342,505	15,968,706
Total Cash Inflows	715,648,034	2,042,400,588
Cash Outflows		
Payment of Expenses	574,991,908	624,591,611
Purchase of Inventories	18,429,553	15,871,288
Grant of Cash Advances	4,797,237	3,954,004
Prepayments	767,355	437,882
Refund of Deposits	13,236,537	28,026,939
Payments of Accounts Payable	110,245,011	1,082,569,493
Remittance of Share on Travel Tax Collections	85,843,025	1,203,210,810
Remittance of Personnel Benefit Contributions and Mandatory Deductions	233,181,064	225,349,778
Grant of Financial Assistance/Subsidy/Contribution	445,000	0
Release of Inter-Agency Fund Transfers	397,632,585	12,432,701,128
Release of Intra-Agency Fund Transfers	77,148,694	117,636,726
Other Disbursements	28,856,802	33,659,321
Total Cash Outflows	1,545,574,771	15,768,008,980
Net Cash Used in Operating Activities	(829,926,737)	(13,725,608,392)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Matured Investments/Redemption of Long-term Investments/Return on Investments	2,128,065,725	18,491,529,601
Total Cash Inflows	2,128,065,725	18,491,529,601
Cash Outflows		
Purchase/Construction of Property and Equipment	235,471,852	322,626,856
Purchase of Investments	1,259,471,821	4,247,355,472
Total Cash Outflows	1,494,943,673	4,569,982,328
Net Cash Provided by Investing Activities	633,122,052	13,921,547,273
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	31,613,873	31,026,654
Total Cash Outflows	31,613,873	31,026,654
Net Cash Used in Financing Activities	(31,613,873)	(31,026,654)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(228,418,558)	164,912,227
Effects of Exchange Rate Changes on Cash and Cash Equivalents	994	(11,218)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,314,375,497	1,149,474,488
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,085,957,933	1,314,375,497

The notes on pages 11 to 79 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, 2021
(In Philippine Peso)

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual Amounts (3) = (1) - (2)
	Original	Final (1)	(2)	
RECEIPTS				
Tax Revenue	81,401,000	81,401,000	186,199,545	(84,798,545)
Business Income	186,526,000	186,526,000	89,515,868	97,010,132
Service Income	132,000	132,000	14,070	117,930
Other Income	54,024,000	54,024,000	56,711,865	(2,687,865)
Other Sources of Fund	1,773,225,000	1,773,225,000	1,293,409,633	479,815,367
	2,095,308,000	2,095,308,000	1,605,850,981	489,457,019
PAYMENTS				
Personnel Services	534,443,000	482,731,000	422,898,914	59,832,086
Maintenance and Other Operating Expenses	639,416,380	559,272,038	459,513,672	99,758,366
Capital Outlay	680,863,000	697,176,342	688,601,817	8,574,525
Debt Payment	32,937,000	32,937,000	30,265,809	2,671,191
Special Contingency Fund	200,000,000	200,000,000	0	200,000,000
Finance Cost	7,648,620	7,648,620	4,570,769	3,077,851
	2,095,308,000	1,979,765,000	1,605,850,981	373,914,019
NET RECEIPTS/PAYMENTS	0	115,543,000	-	115,543,000

The notes on pages 11 to 79 form part of these financial statements.