



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

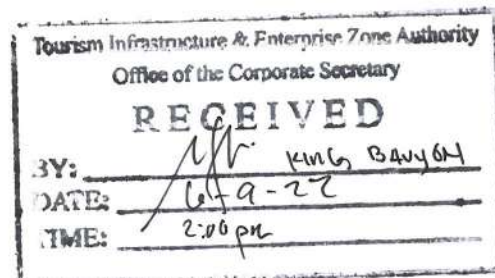
CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

June 9, 2022

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 years ended December 31, 2021 and 2020.

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 2021 and 2020 because the completeness and existence of the recorded Property and Equipment (PE) 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.

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

- a. Adhere to the provision of Section V.4 of COA Circular No. 80-124 on the proper reconciliation of inventory report with the accounting records;
- b. Adjust the books of accounts based on the results of reconciliation of inventory report with the accounting records to reflect the accurate balances of the PE account in the financial statements; and
- c. Address immediately the issues identified on the results of reconciliation of inventory report with the accounting records specifically on those PE with encroachment issues, fully depreciated and unserviceable PE, movable PE identified for disposal, and donated PE lacking documentation.



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. Discrepancies aggregating P121.286 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) were not reconciled, 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 LGUs/NGAs on the submission of required documents;
 - b. Require the Financial Services Department in collaboration with the Legal Department to evaluate long outstanding accounts and file requests for write-off of dormant accounts with the Commission on Audit 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; and
 - c. Demand the return of fund transfers amounting to P0.748 million confirmed as unutilized by the LGUs.
3. The outdated Rule XI of the 1979 Revised Implementing Rules and Regulations (RIRR) of Presidential Decree (PD) No. 1183, as amended, allowing the retention period of travel tax collections by airlines from 30 to 45 calendar days, impede the timely inflow of funds to the government.

We reiterated our recommendation with modification that the Travel Tax Rules and Regulations Revisions Committee (TRRC):

- a. Fast-track its study on the subject matter considering the best interest of TIEZA in particular and the Government in general; and
 - b. 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 airlines' remittance of travel tax collections on the next banking day after the date of collection or the reasonable period based on TRRC's evaluation as approved by Management.
4. 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 Republic Act (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.

We reiterated our prior years' recommendations that Management:

- a. Adhere to Section 37.2.2 of the RIRR of RA No. 9184 on the signing or execution of contract within the prescribed period; and
- b. Designate a focal person or department who will collate and submit all the necessary documents to COA, to reduce the delays in submission of contracts and supporting documents and to adhere with Section 3.1.1 of COA Circular No. 2009-001.

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 May 30, 2022, 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:


EMMA V. MOISES
OIC, Cluster Director

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 AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

June 9, 2022

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

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



RECEIVED

By: Edmar Uy
Time: 6:00 - 6/9/22

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 years ended December 31, 2021 and 2020.

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 2021 and 2020 because the completeness and existence of the recorded Property and Equipment (PE) 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.

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

- Adhere to the provision of Section V.4 of COA Circular No. 80-124 on the proper reconciliation of inventory report with the accounting records;
- Adjust the books of accounts based on the results of reconciliation of inventory report with the accounting records to reflect the accurate balances of the PE account in the financial statements; and
- Address immediately the issues identified on the results of reconciliation of inventory report with the accounting records specifically on those PE with encroachment issues, fully depreciated and unserviceable PE, movable PE identified for disposal, and donated PE lacking documentation.



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. Discrepancies aggregating P121.286 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) were not reconciled, 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 LGUs/NGAs on the submission of required documents;
 - b. Require the Financial Services Department in collaboration with the Legal Department to evaluate long outstanding accounts and file requests for write-off of dormant accounts with the Commission on Audit 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; and
 - c. Demand the return of fund transfers amounting to P0.748 million confirmed as unutilized by the LGUs.
3. The outdated Rule XI of the 1979 Revised Implementing Rules and Regulations (RIRR) of Presidential Decree (PD) No. 1183, as amended, allowing the retention period of travel tax collections by airlines from 30 to 45 calendar days, impede the timely inflow of funds to the government.

We reiterated our recommendation with modification that the Travel Tax Rules and Regulations Revisions Committee (TRRC):

- a. Fast-track its study on the subject matter considering the best interest of TIEZA in particular and the Government in general; and
 - b. 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 airlines' remittance of travel tax collections on the next banking day after the date of collection or the reasonable period based on TRRC's evaluation as approved by Management.
4. 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 Republic Act (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.

We reiterated our prior years' recommendations that Management:

- a. Adhere to Section 37.2.2 of the RIRR of RA No. 9184 on the signing or execution of contract within the prescribed period; and
- b. Designate a focal person or department who will collate and submit all the necessary documents to COA, to reduce the delays in submission of contracts and supporting documents and to adhere with Section 3.1.1 of COA Circular No. 2009-001.

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 May 30, 2022, 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:


EMMA V. MOISES
OIC, Cluster Director

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
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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, 2021 and 2020

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 384 permanent employees, 40 coterminous with the official being served, 23 coterminous with the privatization of the operating entity, 40 coterminous with the incumbent, 469 job orders, 32 contracts of service and three consultants as of December 31, 2021.

FINANCIAL HIGHLIGHTS

I. Comparative Financial Position

	2021	2020	Increase (Decrease)
Assets	10,793,731,221	11,803,868,227	(1,010,137,006)
Liabilities	2,229,117,044	2,292,452,757	(63,335,713)
Equity	8,564,614,177	9,511,415,470	(946,801,293)

II. Comparative Results of Operations

	2021	2020	Increase (Decrease)
Income	452,001,196	849,020,940	(397,019,744)
Expenses	1,404,782,601	1,309,056,991	95,725,610
Net Income (Loss)	(952,781,405)	(460,036,051)	492,745,354

III. Budget and Actual Expenditures

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

	2021		2020	
	Budget	Actual	Budget	Actual
Personnel Services	482,731,000	422,898,914	443,525,000	389,751,466
Maintenance and Other Operating Expenses	559,272,038	459,513,672	617,020,114	395,464,689
Capital Outlay	697,176,342	688,601,817	743,220,000	703,115,031
Debt Payment	32,937,000	30,265,809	32,937,000	31,026,654
Special Contingency Fund	200,000,000	0	0	0
Finance Cost	7,648,620	4,570,769	7,746,886	6,317,515
Total	1,979,765,000	1,605,850,981	1,844,449,000	1,525,675,355

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, 2021 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2021 and 2020. 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 2021 and 2020 because the completeness and existence of the recorded Property and Equipment (PE) 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.

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

- a. Adhere to the provision of Section V.4 of COA Circular No. 80-124 on the proper reconciliation of inventory report with the accounting records;
- b. Adjust the books of accounts based on the results of reconciliation of inventory report with the accounting records to reflect the accurate balances of the PE account in the financial statements; and
- c. Address immediately the issues identified on the results of reconciliation of inventory report with the accounting records specifically on those PE with encroachment issues, fully depreciated and unserviceable PE, movable PE identified for disposal, and donated PE lacking documentation.

OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

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. Discrepancies aggregating P121.286 million between the confirmed and book balances of Due from Local Government Units (LGUs) and Due from National Government Agencies (NGAs) were not reconciled, 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 LGUs/NGAs on the submission of required documents;
 - b. Require the Financial Services Department in collaboration with the Legal Department to evaluate long outstanding accounts and file requests for write-off of dormant accounts with the Commission on Audit 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; and
 - c. Demand the return of fund transfers amounting to P0.748 million confirmed as unutilized by the LGUs.
3. The outdated Rule XI of the 1979 Revised Implementing Rules and Regulations (RIRR) of PD No. 1183, as amended, allowing the retention period of travel tax collections by airlines from 30 to 45 calendar days, impede the timely inflow of funds to the government.

We reiterated our recommendation with modification that the Travel Tax Rules and Regulations Revisions Committee (TRRC):

- a. Fast-track its study on the subject matter considering the best interest of TIEZA in particular and the Government in general; and
 - b. 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 airlines' remittance of travel tax collections on the next banking day after the date of collection or the reasonable period based on TRRC's evaluation as approved by Management.
4. 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.

We reiterated our prior years' recommendations that Management:

- a. Adhere to Section 37.2.2 of the RIRR of RA No. 9184 on the signing or execution of contract within the prescribed period; and
- b. Designate a focal person or department who will collate and submit all the necessary documents to COA, to reduce the delays in the submission of contracts and supporting documents and to adhere with Section 3.1.1 of COA Circular No. 2009-001.

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 P208.625 million as of December 31, 2021, details of which are included in Part II of this report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 65 audit recommendations embodied in the previous years' Annual Audit Reports, 33 were implemented/reconsidered, 24 were partially implemented, and 8 were not implemented. Details are presented in Part III of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS



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
	Original	Final (1)		
			(2)	(3) = (1) - (2)
RECEIPTS				
Tax Revenue	81,401,000	81,401,000	166,199,545	(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.

TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY NOTES TO 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 and the National Commission for Culture and the Arts.

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 May 30, 2022.

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 15th of the month. However, if the PE is available for use after the 15th 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

	2021	2020
Cash on Hand	10,660,551	12,435,725
Cash in Bank – Local Currency	375,091,246	1,301,756,936
Cash in Bank – Foreign Currency	206,136	182,836
Cash Equivalents – Time Deposit	700,000,000	0
	1,085,957,933	1,314,375,497

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

Cash in Bank – Foreign Currency includes dollar savings deposit amounting to \$4,042 and \$3,306 as at December 31, 2021 and 2020, respectively, which were translated at bank closing rate of P50.999 and P55.304, respectively.

Cash Equivalents – Time Deposit represents placement of funds for 32 days at 1.700 per cent allocated for infrastructure projects.

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 represents placement with DBP and LBP for a period of 91 days or more amounting to P400.440 million for CY 2020.

Investment in Bonds represents placements amounting to P350 million acquired in CY 2017 and Sustainability Bond amounting to P475 million acquired in CY 2019 that will mature on December 4, 2022 and November 11, 2021, respectively.

5.2 Financial Assets – Held to Maturity

	2021	2020
Investment in Bonds – Local	402,241,600	752,241,600
Other Investment and Marketable Securities	10,036,405	10,036,405
	412,278,005	762,278,005

Investment in Bonds represents placements in bonds with the Bureau of the Treasury (BTr) and the DBP with interest rates ranging from 3.250 per cent to 4.625 per cent per annum that will mature from 10 to 25 years from the date of acquisition.

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

	2021	2020
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
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

	2021	2020
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:

	2021		2020	
	Current	Non-Current	Current	Non-Current
Accounts Receivable	111,448,403	10,740,091	86,300,618	12,043,421
Allowance for Impairment loss	(54,315,706)	(7,689,770)	(45,714,212)	(7,782,529)
Net Value	57,132,697	3,050,321	40,586,406	4,260,892
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	434,280,279	0	273,148,151
Interest Receivable, net	4,872,010	0	7,179,186	0
Other Receivables, net	319,416	181,885,469	393,903	185,186,613
	62,324,123	619,216,069	48,159,495	462,595,656

Accounts Receivable includes travel taxes collected by airlines which are due for remittance to TIEZA, accrued service and business income to China Oceanis PTE., LTD. and 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 May 1, 2005, 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 2021 and 2020.

6.1 Inter-Agency Receivables

	2021	2020
Due from LGUs	169,073,063	149,055,315
Allowance for Impairment	(66,251,404)	(86,869,299)
Net Value	102,821,659	62,186,016
Due from NGAs	464,027,726	250,717,857
Allowance for Impairment	(135,308,227)	(46,321,579)
Net Value	328,719,499	204,396,278
Due from GCs	109,270,432	109,272,932
Allowance for Impairment	(108,725,373)	(105,965,350)
Net Value	545,059	3,307,582
Due from Subsidiaries/Joint Ventures/Associates/Affiliates	48,980,155	48,980,155
Allowance for Impairment	(46,786,093)	(45,721,880)
Net Value	2,194,062	3,258,275
	434,280,279	273,148,151

Due from Local Government Units (LGUs) and Due from National Government Agencies (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 Government Corporations (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. TIEZA, through the OSG, filed a Manifestation dated July 10, 2020. A Resolution dated July 14, 2020 of the CA, Manila (Special Third Division) was issued directing the petitioner to rectify the defects in the petition by submitting certain documents. 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

	2021		2020	
	Current	Non-Current	Current	Non-Current
Disallowances/Charges	0	180,964,394	0	181,546,121
Due from Officers and Employees	429,512	0	454,140	0
Allowance for Impairment Loss	(110,096)	0	(60,237)	0
Net Value	319,416	0	393,903	0
Due from NGOs/POs	0	21,770,235	0	21,770,236
Allowance for Impairment	0	(21,530,235)	0	(19,753,212)
Net Value	0	240,000	0	2,017,024
Other Receivables	0	78,148,355	0	78,151,829
Allowance for Impairment	0	(77,467,280)	0	(76,528,361)
Net Value	0	681,075	0	1,623,468
	319,416	181,885,469	393,903	185,186,613

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 Non-Governmental Organizations/People's Organizations (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.

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

	2021	2020
Merchandise Inventory	1,389,275	1,496,967
Other Supplies Inventory	16,237,840	12,668,453
	17,627,115	14,165,420

The *Merchandise 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

	2021		2020	
	Current	Non-Current	Current	Non-Current
Prepayments	114,828,740	99,077,922	132,522,847	90,441,281
Advances	676,758	0	130,414	0
Deposits	0	42,841,679	0	42,841,679
Other Assets	0	2,065,900	0	2,065,900
	115,505,498	143,985,501	132,653,261	135,348,860

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. This account 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 satisfactorily 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.

	2021	2020
Carrying value, January 1	207,628,805	181,126,882
Addition in Capital Stock	46,000,000	50,000,000
Share in Net Loss	(34,611,080)	(23,498,077)
	219,017,725	207,628,805

In 2020, BIWCI intended to increase its Authorized Capital Stock to strengthen its equity base and to finance its capital expenditures. In 2021, BIWCI issued 2.300 million redeemable preferred shares with a par value of P100 each in addition to the 2.500 million redeemable preferred shares issued in 2020.

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 the 960,000 redeemable Preferred Shares at P100 per share amounting to P96 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).

10. INVESTMENT PROPERTY

This account consists of:

	2021	2020
Investment Property, Land	169,783,545	169,783,545
Investment Property, Building	143,548,466	151,016,478
	313,332,011	320,800,023
<i>Reconciliation of Investment Property</i>		
Beginning balance, at cost	460,206,239	460,206,239
Accumulated Depreciation	(146,874,228)	(139,406,216)
	313,332,011	320,800,023

	2021	2020
Rental Revenue from Investment Property	22,914,884	22,615,804
Direct Operating Expenses arising from Investment Property that generates Rental Revenue	(2,079,066)	(1,320,475)
	20,835,818	21,295,329

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, 2021	3,593,360,109	248,263,761	554,733,978	350,283,319	185,587,118	796,146,858	5,728,375,143
Additions/Acquisitions	0	2,426,230	24,647,242	42,909,815	26,020,403	302,017,670	398,021,360
Total	3,593,360,109	250,689,991	579,381,220	393,193,134	211,607,521	1,098,164,528	6,126,396,503
Disposals/Turned-Over to LGUs and NGAs	0	0	(37,594,600)	0	0	0	(37,594,600)
Depreciation	0	(31,067,763)	0	(18,111,917)	(28,815,196)	0	(77,994,876)
Impairment Loss	0	(5,774,886)	0	(4,253,883)	0	0	(10,028,769)
Reclassifications/ Adjustments	0	(3,313,754)	0	(16,636,232)	(173,288)	(213,903,249)	(234,026,523)
Carrying Amount, December 31, 2021	3,593,360,109	210,533,588	541,786,620	354,191,102	182,619,037	884,261,279	5,766,751,735
Gross Cost	3,593,360,109	813,156,089	554,733,978	1,017,122,621	461,328,747	796,146,858	7,235,848,402
Additions	0	2,426,230	24,647,242	42,909,815	26,020,403	302,017,670	398,021,360
Disposals – Cost	0	0	(37,594,600)	0	0	0	(37,594,600)
Reclassifications – Cost	0	(153,617,849)	0	(82,411,165)	0	(213,903,249)	(449,932,263)
Accumulated Depreciation	0	(444,349,938)	0	(618,723,547)	(304,629,277)	0	(1,367,702,762)
Accumulated Impairment Loss	0	(7,080,944)	0	(4,706,622)	(100,836)	0	(11,888,402)
Carrying Amount, December 31, 2021	3,593,360,109	210,533,588	541,786,620	354,191,102	182,619,037	884,261,279	5,766,751,735

	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
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

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. The account mainly includes the amount of P718.688 million pertaining to the Boracay Water Drainage Improvement Project.

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, January 1, 2021	351,270,305	1,450,777,757	1,802,048,062
Depreciation	(17,592,859)	(96,718,518)	(114,311,377)
Reclassifications/Adjustments	(1,179)	0	(1,179)
Carrying Amount, December 31, 2021	333,676,267	1,354,059,239	1,687,735,506
Gross Cost	877,814,505	1,934,370,342	2,812,184,847
Accumulated Depreciation	(544,138,238)	(580,311,103)	(1,124,449,341)
Carrying Amount, December 31, 2021	333,676,267	1,354,059,239	1,687,735,506

	Sewer and Water Supply System - TIEZA	Other Service Concession Assets – BIWCI	Total
Carrying Amount, January 1, 2020	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

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

	2021	2020
Unearned Service Concession, Beg	1,450,777,757	1,547,496,274
Earned Concession Revenue	(96,718,518)	(96,718,517)
Unearned Service Concession, End	1,354,059,239	1,450,777,757

13. FINANCIAL LIABILITIES

	2021		2020	
	Current	Non-Current	Current	Non-Current
Accounts Payable	164,403,485	0	171,975,423	0
Due to Officers and Employees	31,087,292	0	27,764,455	0
Interest Payable	1,022,704	0	1,343,090	0
	196,513,481	0	201,082,968	0
Loans Payable – Foreign	29,204,204	87,612,613	30,682,468	122,729,870
	225,717,685	87,612,613	231,765,436	122,729,870

Accounts Payable represents travel tax refunds from various passengers that became stale at the end of the year and accruals for infrastructure projects that are payable to various contractors.

Due to Officers and Employees represents reimbursements of travelling and petty cash expenses payable to various TIEZA employees, accrual of Collective Negotiation Agreement and accrual of salaries of employees under Contract of Service.

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.

14. INTER-AGENCY PAYABLES

	2021	2020
Due to NGAs	183,516,593	152,053,415
Due to BIR	9,661,228	9,296,801
Due to GSIS	1,815,784	429,666
Due to PhilHealth	616,422	535,477
Due to Pag-IBIG	445,423	459,961
Due to GCs	264,004	468,234
Due to LGUs	111,771	111,771
Due to SSS	71,238	8,680
	196,502,463	163,364,005

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 Service Insurance System (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 Government Corporations (GCs) represents obligations of TIEZA that is due and demandable by various GCs such as Tourism Promotions Board, Corregidor Foundation, Inc. and Government Corporations Athletic Association, Incorporated.

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

	2021		2020	
	Current	Non-Current	Current	Non-Current
Deferred Credits	96,718,517	1,257,340,722	96,718,517	1,354,059,239
Unearned Income	5,261,178	18,615,446	6,585,254	19,181,446
	101,979,695	1,275,956,168	103,303,771	1,373,240,685

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:

	2021	2020
China Oceanis PTE, Ltd.	10,187,500	10,537,500
TIEZA Entities	5,045,178	6,369,254
Ekran Berhad	4,770,000	4,986,000
Petron Corporation	2,050,670	2,050,670

	2021	2020
Marcosa S. Herzenstiel	853,185	853,185
Iloilo Convention Center	683,880	683,880
Rosalina Luz Labota-Clubhouse	250,000	250,000
Boracay Waterworks and Sewerage System	36,211	36,211
	23,876,624	25,766,700

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 P100.461 million and P96.755 million as of December 31, 2021 and 2020, respectively.

17. OTHER PAYABLES

TIEZA has payables not classified as financial liabilities to entities pertaining to employees' contributions to TIEZA Employees Association, Employees Cooperative of the Philippine Tourism Authority and TIEZA Employees Welfare Fund. This also includes Collective Negotiation Agreement incentives and other compensation due to TIEZA employees amounting to P25.895 million and P28.513 million for CYs 2021 and 2020, respectively. The account also includes P83.797 million and P47.268 million as of December 31, 2021 and 2020, respectively, payable to BIWCI representing the unpaid portion for the subscription of 960,000 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

	2021	2020
Guaranty/Security Deposits Payable	109,755,112	103,646,850
Trust Liabilities	21,441,318	21,865,459
	131,196,430	125,512,309

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 from 2010 to 2021 after the transfer of P150 million on September 14, 2020 as partial turn-over of their accounts.

19. TAX REVENUE

	2021	2020
Net Travel Tax Collection	332,399,090	935,868,490
CHED	(132,959,636)	(374,347,396)
NCCA	(33,239,909)	(93,586,849)
TIEZA	166,199,545	467,934,245

This account represents travel taxes collected, net of the shares of other government agencies pursuant to Section 72 of RA No. 9593. The amount is net of refund and adjustments as follows:

	2021	2020
Total Travel Tax Collection	359,740,680	1,236,140,400
Accrual, Beginning	(4,328,490)	(277,349,490)
Refunds	(28,145,830)	(27,095,480)
Adjustments	41,070	(155,430)
Accrual, End	5,091,660	4,328,490
Net Travel Tax Collection	332,399,090	935,868,490

The continuous implementation of outbound travel restrictions to mitigate the spread of the COVID-19 virus still affected the Travel Tax Collection for the year.

20. SERVICE AND BUSINESS INCOME

	2021	2020
<i>Service Income</i>		
Registration Fees	14,070	1,494,487
<i>Business Income</i>		
Service Concession Revenue	141,178,725	150,723,265
Interest Income	56,201,073	136,089,106
Rent Income	44,417,169	45,909,001
Other Business Income	24,867,427	19,479,743
Sales Revenue	8,306,588	12,539,853
Income from Hostels	1,364,502	6,481,126
Fines and Penalties	198,990	4,586,607
	276,534,474	375,808,701
	276,548,544	377,303,188

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:

	2021	2020
Within one year	30,982,317	31,906,390
After one year but not more than five years	168,665,581	170,897,661
More than five years	154,369,695	195,986,927

The total rental from these operating leases amounted to P30.869 million and P30.758 million in 2021 and 2020, respectively.

As the quarantine protocols ease during the early part of the year, some of the operations of the Subsidiary Entities are re-opened, such as the Balicasag Island Dive Resort and the offering of Night Golf at the Club Intramuros Golf Course. Nevertheless, the Banaue Hotel and Youth Hostel and Gardens of Malasag Eco-Tourism Village remained as temporary quarantine facility by the LGUs. Moreover, lowered permit fees to one-peso for tourism enterprises were still being implemented.

21. PERSONNEL SERVICES

Personnel Services

	2021	2020
Salaries and Wages	235,497,170	228,509,148
Other Compensation	91,785,034	85,672,176
Personnel Benefits Contributions	64,968,751	65,697,977
Other Personnel Benefits	24,396,658	18,172,147
	416,647,613	398,051,448

21.1 Other Compensation

	2021	2020
Year End Bonus	21,907,846	19,081,174
Mid-year Bonus	19,064,487	18,848,774
Other Bonuses and Allowances	18,875,877	19,675,594
Personnel Economic Relief Allowance (PERA)	11,598,645	11,749,585
Representation Allowance	3,718,875	3,259,375
Honoraria	2,986,985	1,134,363
Clothing/Uniform Allowance	2,832,000	2,856,000
Hazard Pay	2,693,000	707,000
Cash Gift	2,452,000	2,449,500
Productivity Incentive Allowance	2,249,000	2,439,500
Transportation Allowance	1,669,750	1,418,125
Overtime and Night Pay	674,569	1,515,186

	2021	2020
Longevity Pay	552,000	256,000
Directors and Committee Members' Fees	510,000	282,000
	91,785,034	85,672,176

21.2 Personnel Benefits Contributions

	2021	2020
Provident/Welfare Fund	32,217,432	34,181,010
Retirement and Life Insurance Premiums	28,433,051	27,270,180
PhilHealth Contributions	3,153,268	3,076,887
Pag-IBIG Contributions	582,800	584,600
Employees Compensation Insurance Premiums	582,200	585,300
	64,968,751	65,697,977

21.3 Other Personnel Benefits

	2021	2020
Terminal Leave Benefits	23,491,658	17,593,359
Retirement Incentive	545,000	400,000
Other Personnel Benefits	360,000	178,788
	24,396,658	18,172,147

22. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2021	2020
Professional Services	122,858,196	151,169,240
General Services	30,622,316	32,042,111
Supplies and Materials Expenses	18,283,165	18,533,830
Taxes, Insurance Premiums and Other Fees	15,960,654	32,703,283
Utility Expenses	14,079,853	13,077,463
Communication Expenses	9,608,178	6,567,457
Travelling Expenses	9,318,510	7,860,816
Repairs and Maintenance	6,677,219	3,500,136
Training Expenses	4,700,513	2,579,258
Confidential, Intelligence and Extraordinary Expenses	269,408	79,565
Other Maintenance and Operating Expenses	204,914,771	240,098,568
	437,292,783	508,211,727

22.1 Professional Services

	2021	2020
Other Professional Services	91,079,117	95,048,439
Auditing Services	24,840,606	22,597,445
Consultancy Services	6,002,273	32,913,356
Legal Services	936,200	610,000
	122,858,196	151,169,240

22.2 General Services

	2021	2020
Security Services	27,701,375	29,978,691
Janitorial Services	2,920,941	2,063,420
	30,622,316	32,042,111

22.3 Supplies and Materials Expenses

	2021	2020
Office Supplies Expenses	9,562,823	6,779,071
Other Supplies and Materials	3,745,849	3,109,449
Fuel, Oil and Lubricants Expenses	3,463,783	3,601,722
Accountable Forms Expenses	1,066,638	4,196,372
Drugs and Medicines Expenses	423,932	847,216
Medical, Dental and Laboratory Supplies Expense	20,140	0
	18,283,165	18,533,830

22.4 Taxes, Insurance Premiums and Other Fees

	2021	2020
Taxes, Duties and Licenses	12,515,195	29,125,265
Insurance Expenses	2,445,869	2,534,074
Fidelity Bond Premiums	999,590	1,043,944
	15,960,654	32,703,283

22.5 Utility Expenses

	2021	2020
Electricity Expenses	11,868,382	10,687,501
Water Expenses	1,918,400	1,842,343
Gas/Heating Expenses	293,070	547,619
	14,079,852	13,077,463

22.6 Communication Expenses

	2021	2020
Internet Subscription Expenses	4,438,191	2,542,850
Telephone Expenses	4,741,330	3,543,793
Postage and Courier Services	414,135	469,858
Cable, Satellite, Telegraph and Radio Expenses	14,522	10,956
	9,608,178	6,567,457

22.7 Travelling Expenses

	2021	2020
Traveling Expenses – Local	9,318,510	7,847,366
Traveling Expenses – Foreign	0	13,450
	9,318,510	7,860,816

22.8 Repairs and Maintenance

	2021	2020
Buildings and Other Structures	2,356,386	634,029
Transportation Equipment	2,285,807	1,463,480
Machinery and Equipment	1,713,474	908,647
Furniture and Fixtures	148,915	86,415
Land Improvements	145,637	258,665
Leased Assets Improvements	27,000	148,900
	6,677,219	3,500,136

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 analysis to enhance technical competencies and continuous professional education of employees.

22.10 Other Maintenance and Operating Expenses

	2021	2020
Rent/Lease Expenses	113,225,685	102,912,571
Other Maintenance and Operating Expenses	70,910,183	72,690,025
Advertising Expenses	15,698,009	5,775,923
Representation Expenses	4,457,257	4,808,292
Membership Dues and Contributions to Organizations	513,812	446,151

	2021	2020
Transportation and Delivery Expenses	102,281	1,520,108
Subscription Expenses	7,544	43,191
Documentary Stamp Expenses	0	51,902,307
	204,914,771	240,098,568

Rent/Lease Expenses includes expenses for the lease of a privately-owned building to house the new office of TIEZA. The TIEZA Board, per Resolution No. IV-C-1-31-01-13, authorized the 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:

	2021	2020
Within one year	95,212,266	90,678,542
After one year but not more than five years	15,995,657	111,207,923
	111,207,923	201,886,465

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 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 P286,618 million and P2.785 million for CYs 2021 and 2020, respectively, for the use of Banaue Hotel and Youth Hostel and Gardens of Malasag Eco-Tourism Village as COVID-19 quarantine sites are included in this account.

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.

23. FINANCIAL EXPENSES

This account consists of:

	2021	2020
Interest Expenses	3,133,894	4,006,101
Guarantee Fees	1,187,442	1,700,864
Bank Charges	163,955	183,001
Other Financial Charges	52,572	133,093
	4,537,863	6,023,059

24. DIRECT COSTS

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

	2021	2020
Beginning Inventory	1,496,967	2,250,348
Add: Purchases	4,055,332	4,787,535
Goods Available for Sale	5,552,299	7,037,883
Less: Ending Inventory	1,021,458	1,496,967
	4,530,841	5,540,916

25. NON-CASH EXPENSES

	2021	2020
Depreciation:		
Service Concession Assets	114,311,377	114,419,745
Land and Leased Assets Improvements	31,067,763	30,793,736
Machinery and Equipment	28,815,196	28,000,385
Buildings and Other Structures	18,111,917	19,532,791
Investment Property	7,468,012	7,468,012
	199,774,265	200,214,669
Impairment Loss:		
Loans and Receivables	84,655,951	45,465,525
Property and Equipment	10,028,769	0
	94,684,720	45,465,525
	294,458,985	245,680,194

26. NON-OPERATING INCOME, GAINS OR LOSSES**26.1 Non-Operating Income/Gains**

	2021	2020
Gain on Foreign Exchange	8,639,799	3,125,673
Miscellaneous Income	613,308	640,261
Gain on Sale of Assets	0	17,573
	9,253,107	3,783,507

26.2 Non-Operating Losses

	2021	2020
Loss on Foreign Exchange	2,303,109	3,520,375
Loss on Sale of Assets	20,805,435	1,636
Share in the Loss of Associates (As disclosed in Note 9)	34,611,081	23,498,077
	57,719,625	27,020,088

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:

	2021	2020
Financial Assistance to LGUs	102,694,878	107,936,922
Financial Assistance to NGAs	86,050,701	10,344,984
Financial Assistance - Others	775,289	0
	189,520,869	118,281,906

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

	2021	2020
Net Loss	(952,781,405)	(460,036,051)
Adjustments to reconcile Net Loss to Net Cash from Operating Activities:		
Losses	57,719,625	27,020,088
Gains	(8,639,799)	(3,143,246)
Non-Cash Expenses	294,458,985	245,680,194
Prior years expenses disbursed this year	(195,731)	(7,991,835)
Prior years income received this year	3,931,524	1,817,195
Turned over projects by contracts	32,681,490	12,084,986

	2021	2020
Remittance to DOF for Bayanihan to Heal as One Act	0	(11,749,991,270)
Decrease/(Increase) in Current Assets:		
Receivables	(14,164,628)	500,116,276
Inventories	(3,461,695)	3,574,224
Other Current Assets	(1,477,855)	(5,801,990)
Decrease/(Increase) in Non-Current Assets:		
Receivables	(156,620,414)	(183,871,614)
Other Non-Current Assets	(8,636,640)	13,633,624
Increase/(Decrease) in Current Liabilities:		
Financial Liabilities	(4,569,487)	(41,679,545)
Inter-Agency Payables	33,138,458	(1,841,042,223)
Deferred Credits	(1,324,076)	(503,247)
Provisions	3,705,615	7,771,847
Other Payables	(2,618,486)	(5,217,114)
Increase/(Decrease) in Non-Current Liabilities:		
Trust Liabilities	5,684,120	(141,310,174)
Deferred Credits	(97,284,517)	(96,718,517)
Inter-Agency Payables	(9,471,821)	0
Net Cash Used in Operating Activities	(829,926,737)	(13,725,608,392)

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	312,441,348	422,898,914	459,513,673	4,570,769	688,601,817
Entity Differences:					
Intramuros Light & Sound Museum – Prepaid Input Tax			390,714		
Entity adjustments			(449,090)		
TIEZA Regulatory Office		(11,364,024)	(1,643,936)	(689)	
Cost of Sales	4,530,841				
Basis Differences:					
Income not considered budgetary items:					
Non-cash income	105,612,063			(32,217)	
Receivables	29,609,248				
Financial Assistance - Others			(775,289)		
Income of Bid Docs (Honoraria)		2,266,985			
Charged to Inventory			(3,213,896)		
Charged to Prepayments			3,497,496		
Charged to Other Payables			(2,623,050)		
Charged to MOOE		414,000	(610,600)		
No JEV yet (Unobligated expenses charged to current appropriations)			(28,413,043)		
Equipment Outlay Budget			399,586		
Infra Projects Budget			1,254,560		
For accounting adjustments			9,939		
Timing Differences:					
Collection of receivables	(385,161)				
Budget Reapp - 2021		(260,000)			
Budget Reapp - 2020		316,000	6,297,655		
Budget Reapp - 2019		(1,594,983)			
Terminal Leave Benefits - Payables 2021		3,983,221			

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Hazard Payroll - Provincial Units for the month of Sept. 2021		(12,500)			
Prior Year's Adjustment			8,228.00		
Amortization of prepaid rents	192,857		3,649,836		
Expenses not considered as budgetary items:					
Capital Expenditures					(688,601,817)
Per Statement of Financial Performance	452,001,196	416,647,613	437,292,783	4,537,863	0

The 2021 Corporate Operating Budget (COB) was approved by the TIEZA Board of Directors per Resolution No. R-14-12-20-C on December 16, 2020 and approved by the Department of Budget and Management on September 16, 2021. Other Source of Fund was the 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 2021 are as follows:

Dormant Payable for two years	388,482
Previous years recording of expenses	307,329
Previous years recording of income	3,704,826
Entities Adjustments	1,579,475
	5,980,112

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)

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.

Name of Controlled Entity	Equity Interest	
	2021	2020
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 members determined on a fulltime equivalent basis receiving remuneration within this category are:

	2021
Salaries and Wages	28,848,452
Other Compensation	10,747,482
Personnel Benefit Contributions	7,681,077
Other Personnel Benefits	32,000
	47,309,011

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 Asset Privatization Trust (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 (CoL), the lease shall be for a period of 12 years commencing from the date of execution of the CoL 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 CoL 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 CoL.

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 MR. PMO and TIEZA (formerly PTA) 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 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 were affirmed but modified.

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

32.7 UCI vs. Honorable Elpidio R. Calis, PMO, the Province of Leyte and PTA (CA-GR 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 and a 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, TIEZA (formerly PTA) filed a Motion for the parties to attend the verification survey. The Department of Environment and Natural Resources - Cordillera Administrative Region had 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 Office of the Solicitor General (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 (formerly PTA) 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.

TIEZA received a copy of the plaintiff's formal offer of evidence dated February 15, 2014. On March 5, 2014, TIEZA filed its Comment/Opposition to the plaintiff's formal offer of exhibits. The formal offer of evidence by the TIEZA 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 (DAR), 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 pursuant to RA No. 6657.

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

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

The DAR Adjudication Board (DARAB) Region IV-A issued an Indorsement dated September 2, 2020 which forwarded/endorsed this appealed case to DARAB Secretariat, Elliptical Road, Diliman, Quezon City.

The DARAB issued a Notice dated September 18, 2020 which required the Appellees to file their Appellee's Memorandum to the Office of the Secretariat, DAR Adjudication Board.

On February 26, 2021, the DARAB promulgated its Decision dismissing TIEZA's appeal. Thus, TIEZA, through the OSG, filed a Petition for Review under Rule 43 of the Rules of Court seeking the nullification of the Decision dated February 26, 2021 rendered by the DARAB.

32.11 Heirs of Lumayag et al., vs. PTA

The plaintiff sold their properties to Argao Resort Development Incorporated 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 and a hearing was held on January 17, 2018 for the said complaint.

The defendant filed a Motion to Dismiss on February 20, 2018 but the plaintiffs filed their opposition 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.

In an Urgent Manifestation and Motion dated March 9, 2021, the OSG entered its appearance as counsel for TIEZA (formerly PTA) and requested that the March 17, 2021 hearing be conducted via video conferencing.

The RTC Branch 26, Argao, Cebu issued an Order dated June 9, 2021 stating that plaintiff's witness Joseph Belamia, Brgy. Captain of Casay, Dalaguete, Cebu took the witness stand, whose testimony was completed. The court

directed Atty. Ruben S. Ayson Jr. (OSG) to send their representative to talk to Atty. Jonathan C. Villegas Sr. for the last time, since both parties are exploring the possibility of settlement. The latter was given 30 days to formally offer their documentary exhibits and set the case for defendants' evidence on September 15, 2021.

32.12 Rosalinda Yingling vs. Nicolas Quisaot vs. TIEZA

On May 27, 2005, plaintiff Yingling entered into a Contract of Lease (CoL) 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 CoL 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 TIEZA (formerly PTA) 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. Innumerable 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 (Civil Case (CC) No. 11-125802) and PTA vs. RBI (CC 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. Global-V Builders, Co. (CA GR No. 115346) originating from Global-V Builders, Co. vs. PTA (Construction Industry Arbitration Commission (CIAC) Case No. 26-2009)

TIEZA (formerly PTA) 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 (MOA) 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 (MR) before the CA. TIEZA filed its Comment/Opposition to the MR 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 MR 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.

A Resolution of the CA, Manila (Special Third Division) dated July 14, 2020 directed the petitioner to rectify the defects in the petition by submitting certain documents.

32.16 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.

TIEZA filed a Motion for Early Resolution dated February 15, 2019.

The Notice of Extrajudicial Declaration of Heirs and Settlement of the estate of the late Martin Abrenica over parcels of land situated on Moalboal, Cebu was published in Banat News on October 17, 24 and 31, 2021.

32.17 Cebu Bible Baptist Church (CBBC) vs. Lucy Franco-Garcia and PTA, Plaintiff-in-Intervention

This is an action for Annulment of Sales Contract and Reconveyance. As against defendant Lucy Franco-Garcia, CBBC claimed 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. A hearing for Judicial Dispute Resolution was set on February 8, 2019.

The hearing for the Judicial Dispute Resolution (JDR) was 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 was initially set for hearing on March 13, 2020, but was moved on March 19, 2021.

The RTC Branch 58, Cebu City issued an Order dated July 2, 2021 stating that TIEZA has complied with the Order dated March 19, 2021. Thus, the Motion to Vacate Judgment and the Motion for Intervention are now submitted for resolution.

32.18 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.

32.19 PTA vs. Virgilio Abrenica

PTA (now 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 was reset on September 3, 2019.

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

PTA entered into a contract with Phesco, Incorporated (PHESCO) 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 filing 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.

32.21 Gotesco Properties, Inc. (GPI) vs. PTA

A Memorandum of Agreement (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 Bureau of Internal Revenue, whichever is higher. The aforementioned MOA and addendum have neither been revoked, rescinded, cancelled or withdrawn by the Board of Directors of TIEZA (formerly PTA) 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 Judicial Dispute Resolution 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 the 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 (MR), which the OSG opposed.

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

GPI filed its Reply to Appellee's Brief dated May 28, 2021 and its Compliance dated July 23, 2021.

32.22 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 Temporary Restraining Order (TRO) and a Writ of Preliminary Mandatory Injunction filed by TIEZA 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.

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

This case involves an action for unlawful detainer filed by TIEZA 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. Virginia 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.

32.24 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.

The reception of TIEZA's evidence is ongoing. The cross-examination by the opposing claimants was reset on February 26, 2020.

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

On March 12, 1998, PTA filed a complaint for Forcible Entry with Preliminary Injunction with Prayer for TRO and Damages, docketed as CC No. 118 at 12th MTCC of Moalboal-Badian-Alcantara, Moalboal, Cebu against Pedro Tapales, Luis Tapales, Romeo Tapales, and Marcosa Sabandal Herzenstiel.

On April 13, 2007, the MTCC 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 MTCC 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 were reversed and set aside. The April 13, 2007 Decision of the MTCC of Moalboal, Cebu in CC No. 118 was reinstated.

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

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

On October 21, 2003, PTA filed a complaint against Ms. Felisa 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.

32.27 Myrna C. Canama et al. vs. Philippine Games & Holidays Corporation (PGHC) et al. (CC 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. PTA 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 him. 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 has to be arrived at this case.

On March 13, 2011, the RTC called for a hearing, but counsel of defendants PTA (now TIEZA) 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 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.

The RTC Branch 09, Cebu City issued an Order dated November 19, 2020 directing the parties to appear before the Philippine Mediation Center on February 10, 2021.

Defendant PGHC filed its Manifestation dated January 27, 2021 reiterating that they no longer have interest in the subject properties of these consolidated cases since the properties have been transferred to PTA. Hence, PGHC prayed that they be excluded from attending the mediation on February 10, 2021.

TIEZA, through OSG, filed an Omnibus Motion dated February 9, 2021.

The RTC Branch 09, Cebu City issued an Order dated June 3, 2021 which denied the plaintiffs' Manifestation with Motion to take Judicial Notice because they were not signed by a counsel. The plaintiffs were directed to secure a counsel to represent them in this case. In an Order dated June 30, 2021, the court noted the Entry of Appearance of M.B. Mahinay and Associated as plaintiffs' counsel. Defendant PGHC filed its Manifestation with Motion to Drop PGHC as Defendant dated August 3, 2021. The plaintiffs filed their Manifestation with Motion dated December 13, 2021.

32.28 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 CC No. 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.

32.29 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 was 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.

Respondent PCI filed its Compliance dated December 23, 2020.

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

CC 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.

32.31 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 from respondent NWRB for the operation of waterworks and sewerage systems.

On July 11, 2012, NWRB filed a Motion for Reconsideration (MR) 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 OP dismissed the appeal made by NWRB.

On August 15, 2017, TIEZA received a copy of the MR filed by the NWRB. In a Resolution dated September 5, 2018, the OP denied the MR 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.

NWRB filed its MR of the Court's Decision dated May 21, 2021.

32.32 Paterno Belciña vs. PTA et.al.

This pertains to the complaint filed against PTA 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 (CC 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 (Court of Appeals (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 CC No. AV-689.

TIEZA filed a manifestation and compliance, accordingly.

An Entry of Judgment was issued by the Supreme Court (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 the ruling of the CA in CA-GR 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).

32.33 Felicitas A. Benting et al. vs. Board of Directors (BOD) of TIEZA et al. CC 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 CC No. 14-1819 were reversed 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.

The respondent (BOD of TIEZA) filed a Notice of Appeal dated November 18, 2020, appealing the Resolution dated August 10, 2020 which noted and approved the respondent's Notice of Appeal.

32.34 Gregorio dela Rosa, Bienvenido Egos, William Birondo and Modesro Birondo, Jr. vs. Argao Resort Development, Inc., PTA, Paulino B. Franco and Triton Resort Development Corp.

These plaintiffs filed this case on March 22, 2018 for the Annulment/Cancellation of Deed of Sale, Tax Declaration, Certificate of Titles and Reconveyance of possession, ownership and registration. TIEZA filed an Answer on April 30, 2019. The preliminary hearing of affirmative defenses was set on September 12, 2019.

The presentation of evidence for the plaintiffs was also set on September 14, 2020. On October 8, 2020, the plaintiffs filed their Pre-trial Brief for the set pre-trial on October 12, 2020.

The RTC Branch 26, Argao, Cebu issued an Order dated January 26, 2021 setting the case for pre-trial on February 24, 2021.

An ocular inspection on the subject property of this case was conducted on March 30, 2021 for the possible compromise agreement of the parties (land swapping).

The RTC Branch 26, Argao, Cebu issued an Order dated April 26, 2021 stating that the court had gathered substantial information and they are not in any manner prejudicial to the interest of TIEZA. The ocular inspection was designed to locate the area where the plaintiffs may be accommodated and that there is no need to conduct another inspection.

The plaintiffs submitted the Judicial Affidavits of witnesses Gregorio dela Rosa and Bienvenido Egos dated July 23, 2021.

The comparison of the original documents with the documentary exhibits was conducted through video conferencing on November 9, 2021. Ms. Gina Martinez, Tourism Coordinator of Cebu Unit, attended the hearing and assisted the Office of the Government Corporate Counsel in comparing the original documents with the documentary exhibits.

33. 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 P7.363 million for the year based on the amount reflected in the sales account of P61.357 million and remitted to BIR P1.793 million net of tax credits.
- b. The amount of VAT Input Taxes claimed are broken down as follows:

	2021	2020
Balance at the beginning of the year	4,705,355	46,013
Current year's purchases		
Goods other than for resale or manufacturing	2,729,055	4,642,739
Services lodged under other accounts	2,921,866	5,050,216
Total	10,356,276	9,738,968
Less: Input tax claimed	6,102,997	5,033,613
Balance at the end of the year	4,253,279	4,705,355

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:

	2021	2020
VAT Renewal	3,500	3,000
Other Charges	539,329	1,419,811
Percentage Withholding Taxes on Interest	11,239,505	27,219,535
LTO Vehicle Registration	84,597	117,400
Donor's Tax	20,000	0
Payment to Registry of Deeds	31,090	0
Real Property Tax	597,174	365,519
	12,515,195	29,125,265

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

	2021	2020
Tax on compensation	27,556,861	28,325,416
Withholding taxes (5% VAT, Expanded & Sales/Percentage) 12% VAT	38,451,308	43,630,523
	1,735,544	6,758,401
	67,743,713	78,714,340

- d. Overpayment of Corporate Income Taxes

	2021	2020
Balance of CY 2020	8,406,192	(10,900,739)
1 st quarter of CY 2021	0	2,494,547
2 nd quarter of 2021	0	0
3 rd quarter of 2021	0	0
	8,406,192	8,406,192

35. EVENTS AFTER THE REPORTING PERIOD

On January 26, 2022, TIEZA received the authorization from the Governance Commission for Government-Owned and Controlled Corporations (GOCCs) (GCG) to implement the Compensation and Position Classification System (CPCS) under Executive Order No. 150 - Approving the CPCS and Index of Occupational Services, Position Titles, and Job Grades for GOCCs (IOS-G) Framework, Repealing Executive Order No. 203 (s.2016). Under the approval, TIEZA shall adopt the Tier 5 of Category 2 Salary Structure based on the scheme that will be approved by the Governing Board, with due consideration of the Corporation's affordability and sustainability to continually implement the CPCS rates.

TIEZA may already adopt the CPCS salary structure as provided in the authorization. However, for allowances, benefits, and incentives that require the determination of the career band of the positions entitled thereto, the same shall be granted in accordance with existing DBM and CSC issuances pursuant to Chapter XI of the CPCS, until such time that the GCG has issued the final Job Evaluation results of TIEZA.

In addition, TIEZA may adopt retroactively the appropriate salary structure, and the allowances, benefits and incentives under the CPCS effective October 5, 2021 in accordance with Chapter I (1) of the CPCS Implementing Guidelines.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

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1. **The completeness and existence of the recorded Property and Equipment (PE) 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 in violation of Section V.4 of COA Circular No. 80-124, thus casting doubt on the fair presentation of the accounts in the TIEZA's financial statements as required under International Public Sector Accounting Standard (IPSAS) 1.**
 - 1.1 On December 1, 2021, the Chief Operating Officer created an Inventory Task Force (ITF) to conduct physical inventory count and assess the conditions of all TIEZA's fixed assets and other structures, including but not limited to land, land improvements, buildings and other structures, leasehold improvements and others assets classified as PE. The ITF conducted the inventory count from December 9 to 15, 2021 and submitted the Physical Inventory Report on December 28, 2021 to the Audit Team for evaluation. However, the reconciliation of accounts, which was belatedly submitted to the Audit Team on March 16, 2022, disclosed a number of reconciling items that were not acted upon, contrary to Section V.4 of COA Circular No. 80-124 dated January 18, 1980 that *the (inventory) reports shall be properly reconciled with accounting and inventory records.*
 - 1.2 The reconciliation of the physical inventory report against Financial Services Department (FSD) records showed a total discrepancy of P379.381 million (at cost). Enumerated below are some of the probable reasons for discrepancy that need to be addressed by Management:
 - a. Items in *Land Improvements* and *Other Structures* accounts that were fully depreciated and not found during the physical count, remained recorded in the books of accounts at their salvage value;
 - b. Various items were misclassified to other accounts. Some of the physically counted *Office Equipment* and *Other Machineries and Equipment* items were recorded in the books of accounts under *Furniture and Fixtures* and/or *Information and Technology Equipment* accounts. In addition, semi-expendable items per General Services Division (GSD) records were recorded in the books of accounts as PE;
 - c. Double recording of an item in the old inventory system overstated the inventory records and the discrepancy between the recorded PE in the books of accounts;

- d. Semi-expendable items purchased in 2018 to 2019 were presented in total under *Furniture and Fixtures*, making it difficult to reconcile with the inventory records;
 - e. There were items purchased in 2019 to 2021 that were still not issued to the end users, thus remained in the custody of GSD. These items were not yet recorded in the books of accounts because no payments were made yet;
 - f. There were PE items not found during the count that needs further investigation to validate its existence and valuation; and
 - g. Items disposed or donated were not yet derecognized in the books of accounts due to pending documents.
- 1.3 In summary, out of the total PE at cost of P9.228 billion, P8.849 billion were inspected and counted leaving a discrepancy of P379.381 million. The Audit Team considered to summarize the results of reconciliation at net book value but was constrained to adopt the historical costs of accounts due to lack of data.
- 1.4 While the discrepancies between the inventory report and FSD records were identified by the ITF, no actions were taken to reconcile the same apparently due to limited time.
- 1.5 The Audit Team was not able to perform alternative audit procedures in the absence of a reconciliation of the said discrepancies. Consequently, the Audit Team was unable to determine whether any adjustment is necessary.
- 1.6 As a result, the unaccounted and unreconciled balance of P379.381 million cast doubt on the fair presentation of affected accounts in the financial statements, which is a departure from Paragraph 27 of IPSAS 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.”*
- 1.7 We recommended that Management:**
- a. **Adhere to the provision of Section V.4 of COA Circular No. 80-124 on the proper reconciliation of inventory report with the accounting records;**
 - b. **Adjust the books of accounts based on the results of reconciliation of inventory report with the accounting records to reflect the accurate balances of the PE account in the financial statements; and**

c. **Address immediately the issues identified on the results of reconciliation of inventory report with the accounting records specifically on those PE with encroachment issues, fully depreciated and unserviceable PE, movable PE identified for disposal, and donated PE lacking documentation.**

1.8 During the exit conference held on May 30, 2022, Management explained that continuous reconciliation is being done by the GSD and the FSD. They assured to address the discrepancies and adjust the books of accounts, if necessary, based on the results of their reconciliation.

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 a restatement of prior years' audit observation.

2.2 Rights is a basic assertion that all assets and liabilities included in the financial statements 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 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, 2021, 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, 2021.

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 conducting due diligence in reviewing the available records and files, obtaining the lacking documents and closely coordinating with the concerned agencies and Local Government Units (LGUs) to facilitate the titling of the subject properties.

B. OTHER AUDIT OBSERVATIONS

3. Discrepancies aggregating P121.286 million between the confirmed and book balances of Due from LGUs and Due from National Government Agencies (NGAs) were not reconciled, 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 (FTs) 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, 2021, disclosed 28 replies for *Due from LGUs* with confirmed balances in the total amount of P50.726 million against the recorded amount of P124.214 million and 11 replies for *Due from NGAs* with confirmed balances in the total amount of P354.064 million against the recorded amount of P454.901 million, thus resulting in discrepancies of P73.488 million and P100.837 million, respectively or a total of P174.325 million.

- 3.7 Furthermore, two LGUs, although with the same balances per books of TIEZA, confirmed that the funds amounting to P0.748 million were not utilized as of December 31, 2021. These projects were supposed to be implemented on the date of grants in Calendar Years (CYs) 2005 and 2006. However, to date, these funds were still unused and were 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 FTs to various LGUs and NGAs prior to CY 2016 amounting to P33.822 million and P9.336 million, respectively. These accounts being dormant were fully provided with allowance for impairment in compliance to COA Circular No. 2020-02 dated January 28, 2020, thus compensated in part any misstatement in the *Due to LGUs/NGAs* accounts.
- 3.10 In total, the discrepancies based on confirmation results amounted to P121.286 million, net of provision for impairment loss.
- 3.11 Management's actions to address discrepancies in 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 still being done by two departments, the Construction Management Department (CMD) and 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.
- 3.12 During the meeting held on May 31, 2021, between Management and COA representatives, Management explained that the CMD already stopped the issuance of demand letters in CY 2021. However, subsequent inquiry with CMD and based on the data on demand letters issued by the said department, it showed that they still sent demand letters in CY 2021 and 2022.

- 3.13 Likewise, data on demand letters issued by the CMD showed that majority of the FTs were still not consistently monitored. FTs to LGUs/NGAs in the total amount of P71.764 million out of P628.922 million were not followed-up by the CMD, neither was there any request made for the LGUs to submit liquidation reports. Also, 16 projects of LGUs/NGAs that were transferred between 2006 to 2010 were remarked as unexpended balance by the Project Engineers, thus, should be followed up for return to TIEZA as required under their Memorandum of Agreement. Lastly, since CY 2006 up to date, no demand letters or any action was done on the P202.443 million FTs to LGUs/NGAs.
- 3.14 On the other hand, data from FSD showed that demand letters were sent to LGUs/NGAs with FTs amounting to P540.937 million out of the total amount of P628.922 million FTs. An increase of 27 per cent on the number of letters sent as compared to previous year's report indicates an improvement in the communications and reconciliation of the accounts of Management with the concerned LGUs/NGAs. Also, a minimal number of unsent demand letters were noted in the report due to unavailability of address, but in total, majority of the recorded outstanding balance of FTs were demanded by Management. Liquidation documents, upon submission to FSD will be subjected to reconciliation and/or follow-up to reflect the correct balances in the books of accounts.
- 3.15 Additionally, requiring the submission of certificate of liquidation of FTs (partial) before releasing the final tranche of financial assistance to the concerned LGU/NGA is now being practiced by the FSD especially on the new accounts. However, issues on the old accounts still remained unresolved.
- 3.16 Lastly, the Schedule of Aging of *Due from LGUs and NGAs* disclosed dormant accounts that are more than 10 years amounting to P5.583 million and P14.967 million, respectively. In this regard, Management needs to evaluate and determine which of these accounts may qualify for derecognition in compliance with COA Circular No. 2016-005 dated December 19, 2016 on the Guidelines and Procedures on the Write-Off of Dormant Receivable Accounts, Unliquidated Cash Advances, and FTs of NGAs, LGUs and Government-Owned and Controlled Corporations.
- 3.17 **We recommended that Management:**
- a. **Maintain the assignment of a focal person to communicate directly to the concerned LGUs/NGAs on the submission of required documents;**
 - b. **Require the FSD in collaboration with the Legal Department to evaluate long outstanding accounts and file requests for write-off of dormant accounts with the Commission on Audit 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; and

c. Demand the return of FTs amounting to P0.748 million confirmed as unutilized by the LGUs.

- 3.18 Management assured that the assigned person will consistently and directly communicate with the concerned LGUs/NGAs in order to expedite the submission of supporting documents for the liquidation of FTs. In addition, the Management will continue its efforts, through its Legal Department, in demanding, gathering and completing the supporting documents necessary to file the request for write-off of dormant accounts in compliance with COA Circular No. 2016-005 and COA Resolution No. 2016-022 both dated December 19, 2016.
- 3.19 It was clarified during the exit conference that the LGUs/NGAs need not wait for the technical review/report from the COA Regional Auditors before submitting the liquidation documents to TIEZA. Certification from the Accountant that the funds were fully liquidated will suffice for TIEZA to record the same in their books of accounts. The LGU/NGA concerned is responsible to answer audit observations on the project implementation raised by COA Auditors thereat.
- 3.20 Additionally, for long-outstanding fund transfers which remain unliquidated due to lack of supporting documents, Management may evaluate their accounts and consider to file for request for write off, if warranted, in compliance with COA Circular No. 2016-005 and COA Resolution No. 2016-022.
- 3.21 Moreso, the Management immediately sent letters to the concerned LGUs, demanding the return of unutilized FTs in the total amount of P0.748 million.

4. The outdated Rule XI of the 1979 Revised Implementing Rules and Regulations (RIRR) of Presidential Decree (PD) No. 1183, as amended, allowing the retention period of travel tax collections by airlines from 30 to 45 calendar days, impede the timely inflow of funds to the government.

- 4.1 This is a restatement of prior year's audit observation.
- 4.2 TIEZA is the principal agency responsible for the timely collection of travel taxes. For the convenience of departing passengers, carriers or their agents include the travel tax in the cost of ticket as provided under Section 4 of PD No. 1183 on the provisions on travel tax and the manner of collection and penalties in violation thereof, as amended by Section 5 of PD No. 1205 which states that *the travel tax shall be collected by the carriers or their agents issuing the tickets and the carriers shall remit their collections to the Philippine Tourism Authority (PTA).*

- 4.3 Furthermore, Section 8 of PD No. 1205 states that *the Secretary of Tourism, in his capacity as Chairman of the Board, PTA, shall have the power to promulgate rules and regulations and to impose fines and surcharges to carry out the provisions of the Decree and for the effective collection of the tax imposed therein.*
- 4.4 Pursuant to the aforementioned Section, the then Secretary of Tourism issued the RIRR that took effect on September 7, 1979, governing the implementation of PD No. 1183, as amended. Rule XI of the RIRR states that travel tax collection shall be remitted by the carriers to TIEZA (then PTA) in the following manner:
- a. Collections for the first 15 days of the month shall be remitted not later than the 15th day of the succeeding month; and
 - b. Collections for the period 16th to the end of the month shall be remitted not later than the 30th day of the succeeding month.
- 4.5 In effect, the carriers were granted 30 to 45 days to retain the travel tax collections before remitting the same to TIEZA. However, records indicate that the retention period was not only maximized but extended by carriers, remitting collections as late as the 496th day after the date of collection.
- 4.6 The top three Airlines in CY 2021 based on collections namely, Philippine Airlines, Qatar Airways and Etihad Airways had an average monthly collections of travel tax as shown below, which could have been much higher had there been no travel restrictions brought by the COVID-19 pandemic in CYs 2020-2021.

TOP AIRLINES	RETENTION PERIOD (DAYS)	AVERAGE MONTHLY COLLECTION
Philippine Airlines	26-496	9,494,575
Qatar Airways	24-124	2,969,055
Etihad Airways	22-69	860,287

- 4.7 The funds could have earned interest had these been remitted to TIEZA in real time or the next banking day after the date of collection. Based on the financial management history of TIEZA for CY 2021, short-term placements are earning interests at 1.7 per cent for 180-day terms.
- 4.8 Although late remittances of travel tax collections are subject to surcharge of 1/30 of one per cent of the unremitted amount for every day of delay as required under Rule XVIII of the RIRR, the computed surcharge pale in comparison to the cost of money or the interest earned had the collections been remitted timely and subsequently invested by TIEZA in marketable securities.
- 4.9 While Rule XI of the RIRR had served well its purpose during the early years it was crafted and implemented, it is high time to upgrade this

provision given that we are now in the digital era where business processes are automated and data or information could be made available in real time.

- 4.10 Since the Secretary of Department of Tourism (DOT) is vested with the power to promulgate rules and regulations for the effective collection of travel taxes under Section 8 of PD No. 1205, TIEZA may initiate action to request for the revision of the RIRR of PD No. 1183, as amended.
- 4.11 We recommended in the 2019 Annual Audit Report (AAR) that Management respectfully propose to the Secretary of DOT for the revision of Section XI of the RIRR of PD No. 1183, as amended, to impose the remittance of travel tax collections on the next banking day after the date of collection in order for TIEZA to avail investment opportunities and be abreast with the best business practices relevant to our times.
- 4.12 Management commented that even if it is more advantageous to the government to have all carriers remit their travel tax collections on the next banking day after the date of collections, the same would be logistically difficult for carriers to follow. Airlines have accredited travel agents, who are issuing tickets and collecting travel tax on their behalf. Thereafter, travel agents remit their collections to airlines based on the following schedule:

SALES PERIOD	DUE DATE OF REMITTANCE
1 ST week (1-8)	15 th of the month
2 nd week (9-15)	22 nd of the month
3 rd week (16-23)	30 th of the month
4 th week (24-31)	7 th of the succeeding month

- 4.13 Available data from various ticketing offices and travel agents were subjected to collation and summarization prior to travel tax remittance. Airlines have to check the completeness of reports and supporting documents for submission to TIEZA Main Office. Thus, they humbly opine that the current due dates provided in the RIRR of PD No. 1183 gave ample time for airline companies to undertake and complete the procedures mentioned.
- 4.14 Moreover, the TIEZA Travel Tax Rules and Regulations Revisions Committee (TRRC) is regularly reviewing the said RIRR for possible revisions, improvement of procedures for the manner of collection of travel tax, the exemption therefrom, and prosecution for violations of PD No. 1183. Prior to submission to the Secretary of DOT for her consideration, the recommendations concerning the RIRR will be taken under careful consideration by the TRRC in drafting revisions to the rules.
- 4.15 The Travel Tax Department (TTD) sent letters to various Airlines relative to COA's recommendation of the remittance on the next banking day. However, the said Airlines and Board of Airline Representatives (BAR) responded that the recommendation is not feasible due to logistics

additional fees and charges to be incurred, accounting processes and banking clearance days.

- 4.16 The Audit Team rejoined that the seven-day period within which travel agents remit their collections to airlines was not substantiated with statistics or time-flow on how it takes seven days before remittance is done. The airlines' response that the recommendation is not feasible due to logistics additional fees and charges to be incurred, accounting processes and banking clearance days, was also not substantiated with details on how material the additional costs would be. If such is the case, what the airlines could propose is the charging of collection fee, subject to evaluation and approval by TIEZA.
- 4.17 The responses did not consider that collation and summarization processes are easier and more efficient these days with the advantages of computer application technology compared to the manual operation systems in the 1970s. Further, on-line bookings, which account for more or less 50 per cent of travel tax payments, cover full travel tax rates that does not need supporting documents, meaning the review or checking process is not necessary and remittance of travel taxes can be done right after collection.
- 4.18 Relatedly, TIEZA maintains a payment collection system with the CIS Bayad Center, Incorporated (CBCI) wherein CBCI is authorized to collect travel taxes and these are remitted the following banking day in exchange for a collection fee of P50 per travel tax collected. With the high technology nowadays where transactions can be done remotely across businesses in real time, the current regulation of 30 to 45-day period within which to remit travel tax collections, pales in justification.
- 4.19 The Audit Team emphasized that while Rule XI of the RIRR had served well its purpose during the early years it was crafted and implemented, it is high time to upgrade this provision given that the airlines supposedly embark on sophisticated data processing systems and understand the benefits of the digital era we are in these days.
- 4.20 Timely receipt of travel tax collections redounds to timely delivery of services to the public.
- 4.21 Therefore, we reiterated our recommendation with modification that the TRRC:**
- a. Fast-track its study on the subject matter considering the best interest of TIEZA in particular and the Government in general; and**
 - b. Propose to the Secretary of DOT for the revision of Section XI of the RIRR of PD No. 1183, as amended, to impose the airlines' remittance of travel tax collections on the next banking day after the date of collection or the reasonable period based on TRRC's evaluation as approved by Management.**

- 4.22 Management commented that the TTD wrote a letter to the BAR requesting for information regarding travel tax collection and remittance particularly on the following:
- a. Process time flow from the issuance of ticket to the travel agency's remittance of collection to the airlines and why it takes seven days to complete the process;
 - b. Process time flow of the airlines from the receipt of remittance from travel agents until the airline's remittance to TIEZA, including the preparation of check/cash/bank transfer payment;
 - c. Statistical data on the additional logistical fees and charges incurred on the processing of travel tax, including manpower, accounting and banking services; and
 - d. Recommendation on the appropriate and reasonable travel tax retention period applicable for airlines.
- 4.23 In its reply, the BAR mentioned that there is no process flow set for airlines since those are largely dictated by the commercial considerations of each airline. Nevertheless, the BAR is open to work with the Management to find a mutually acceptable framework for the efficient processing of travel taxes. Finally, the BAR recommended that for now, they will maintain on a status quo position for the retention period of travel tax remittances.
- 4.24 During the exit conference, it was agreed that the TRRC will properly evaluate the manner of collection of travel tax and will work together with the airlines and BAR to come up with an updated guidelines subject for approval of the Management, then for proposal to the Secretary of DOT.
- 4.25 The Audit Team emphasized that TIEZA had to stand and conduct their own evaluation through the TRRC to set a benchmark upon which to gauge whether or not the airlines' position on the matter is justifiable.

5. 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 Republic Act (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.

- 5.1 This is an updated restatement of prior years' audit observation.
- 5.2 In the CY 2020 AAR, the Audit Team raised the issue on the delayed preparation and signing of contracts with the winning bidders. Same occurrence was observed in CY 2021 on the 16 contracts reviewed by the Audit Team amounting to P74.212 million. TIEZA incurred delays ranging

from two to 103 calendar 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 that requires the procuring entity to enter into contract with the winning bidder within 10 calendar days after issuance and receipt of Notice of Award, provided all documentary requirements are complied with. The deviation from the said Section could be higher if all the contracts entered into by TIEZA from previous years and CY 2021 have been submitted to COA for review.

- 5.3 On the other hand, same findings were noted during the year on the submission of contracts and its supporting documents.
- 5.4 Review of the submitted contracts in CY 2021 disclosed that TIEZA still incurred delays in the submission of copies of contracts and its supporting documents to the Audit Team. On February 10, 2022, TIEZA submitted the list of projects offered for bidding in CY 2020 and CY 2021. They had offered 17 and 36 projects for CY 2020 and CY 2021, respectively, of which only 10 and 21 projects materialized in both years. The following table shows our observations in the report:

PERIOD COVERED	TOTAL NO. OF CONTRACTS	SUBMITTED	DELAYS ON SUBMITTED CONTRACTS	UN-SUBMITTED
CY 2020	10	3	17-171 days	7
CY 2021	21	4	43-140 days	17
Un-submitted per CY 2020 AAR	15	8	63-733 days	7
TOTAL	46	15		31
Not included in the list of projects offered		8	8-398 days	

- 5.5 Under the circumstances, the delays are 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.
- 5.6 The delayed preparation and signing of contracts and delayed submission of contract documents to COA has been recurring since 2017. During the previous year's exit conference, it was agreed that the Legal Department would be the one who will collate all the documentary requirements for submission to COA, which was then seen by Management as a way to resolve the issue, however to date, the submissions still came from the BAC Secretariat, Administration and Finance Sector and Architectural and Engineering Services Sector.
- 5.7 Said delays hampered the review of contracts by the Audit Team and likewise, may have slowed down the implementation of Management's corrective actions or measures to improve their planning and project execution in compliance with the provisions of RA No. 9184.

- 5.8 **We reiterated our prior years' recommendations and Management agreed to:**
- a. **Adhere to Section 37.2.2 of the RIRR of RA No. 9184 on the signing or execution of contract within the prescribed period; and**
 - b. **Designate a focal person or department who will collate and submit all the necessary documents to COA, to reduce the delays in the submission of contracts and supporting documents and to adhere with Section 3.1.1 of COA Circular No. 2009-001.**

6. Financial assistance in the aggregate amount of P0.775 million was granted to several individuals for purposes not within the mandate of TIEZA, thus considered unnecessary under Section 4.1 of COA Circular No. 2012-003 dated October 29, 2012.

- 6.1 TIEZA is mandated to designate, regulate and supervise the Tourism Enterprise Zones (TEZs) as well as develop, manage and supervise tourism infrastructure projects in the country under Section 63 of RA No. 9593, otherwise known as Tourism Act of 2009.
- 6.2 It is beyond TIEZA's mandate to provide programs, projects and services to the vulnerable and marginalized sector of society neither to its employees in need through financial assistance to individuals.
- 6.3 However, TIEZA has recorded financial assistance in its books of accounts under *Subsidy to Other Funds* in the total amount of P0.775 million for CY 2021. The corresponding disbursements cover charitable donations/financial assistance to persons in crisis situations brought by interment of family member, medical emergency/COVID-19 cases, and damages/losses due to typhoon. These donations, although commendable, were not tourism-related and outside the mandate of TIEZA, thus lacking in legal basis and considered unnecessary as defined herein.
- 6.4 Section 4.1 of COA Circular No. 2012-003 dated October 29, 2012 defines *"unnecessary expenses" as those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation.*
- 6.5 The payees could have been referred to the appropriate government agencies dispensing the needed services e.g., Department of Social Welfare and Development, and the Philippine Charity Sweepstakes Office.
- 6.6 Aside from misuse of scarce resources, the grant reduced the funds of TIEZA which could have been utilized for priority programs and projects.

- 6.7 Therefore, we recommended that Management discontinue the practice of disbursing funds for purposes beyond TIEZA's mandate under the Tourism Act of 2009.**
- 6.8 Management commented that they cannot turn a blind eye on their employees' plight thus, the grant of financial assistance was nothing more but the Management's sincerest desire to immediately render aid and comfort to their employees and their families in the most trying and difficult times. Also, the grant of financial assistance to the concerned employees is supported by a Board Resolution dated December 20, 2000. The said resolution provides that TIEZA, acting through its Board, is authorized to extend financial assistance in an amount not exceeding P200,000, subject to the discretion of the Head of the Agency. It can be gleaned in the audit observation memorandum that none of the individual recipients received aid exceeding the P200,000, in conformity with the limits prescribed in the board resolution.
- 6.9 As to the relief goods for the affected families of typhoon Odette, San Vicente, Palawan was declared in a State of Calamity on December 2021 due to the onslaught of the mentioned typhoon. San Vicente as a designated Flagship TEZ of TIEZA, rendered the local government and residents of San Vicente a vital tourism stakeholders and major partners in the development of sustainable tourism pursuant to its Integrated Tourism Master Plan. As such, it is the social responsibility of TIEZA to provide assistance and relief goods for the affected residents.
- 6.10 Notwithstanding, the Management dutifully committed to discontinue the granting of financial assistance to non-tourism related activities and programs and to adhere to Section 4.1 of COA Circular No. 2012-003 dated October 29, 2012 to avoid future disallowance.

7. The increase in Representation and Transportation Allowances (RATA) of one thousand pesos (P1,000) per month for the CY 2021 granted to TIEZA key officials, is contrary to Section 56 of the General Appropriations Act (GAA) for the year 2021 and National Budget Circular (NBC) No. 548 dated May 15, 2013.

- 7.1 The Quarterly and Annual Report on Salaries and Allowances for CY 2021 disclosed an increase of one thousand pesos (P1,000) per month of RATA for TIEZA key officials amounting to P231,500 based on TIEZA's Approved Corporate Operating Budget (COB) for CY 2021. However, the approved COB alone is not enough basis for claiming the P1,000 per month increase in RATA.
- 7.2 NBC No. 548 dated May 15, 2013, remains the legal basis for the grant of RATA for all government agencies. Section 5 of the said Circular enumerates the monthly rates effective January 1, 2013, as follows:

National Government Officials	Equivalent Ranks for RATA purposes		Type of Allowance/Monthly Rate	
	Position Title	SG	RA	TA
Dept. Undersecretaries	COO/General Manager	30	11,000.00	11,000.00
Bureau Directors & Dept. Reg. Directors	ACOO/Deputy General Managers	28	9,000.00	9,000.00
Assistant Bureau Regional Directors	Department Managers A	26	7,500.00	7,500.00
Division Chiefs	Regional Operations Manager	25	5,000.00	5,000.00
	Division Manager A	24	5,000.00	5,000.00

- 7.3 The equivalent ranks as shown above was clarified on November 16, 2012 by then Department of Budget and Management (DBM) Undersecretary in response to the query made on May 23, 2012 of then COA Supervising Auditor.
- 7.4 Moreover, Section 56, General Provisions of GAA for the year 2021 authorized the same monthly RATA rates anchored from NBC No. 548 and both stated that *no amount of representation and transportation allowances, whether commutable or reimbursable, which exceed the authorized rates under the Section may be granted to the foregoing officials. Previous administrative authorizations inconsistent with the rates and conditions specified therein shall no longer be valid and payment shall not be allowed.*
- 7.5 The OIC, Assistant Chief Operating Officer of Administration and Finance Sector explained that the DBM resolved in principle the equivalent ranks of TIEZA Officials with that of National Government Officials, which prompted the corresponding increase in RATA.
- 7.6 However, without new NBC to supersede NBC No. 548 in favor of TIEZA Officials or proper declaration from the DBM to supersede the equivalent ranks earlier clarified by then DBM Secretary, the aforementioned increase in RATA lacks legal basis.
- 7.7 **Thus, we proposed that TIEZA request from the DBM an official statement attesting the correction in equivalent ranks or increase in RATA of TIEZA Officials.**
- 7.8 Management communicated with the DBM on March 21, 2022 and requested for an official approval on the Agency's request to adjust the RATA of TIEZA key officials as approved by the DBM in its CY 2021 COB.
- 7.9 The DBM replied on April 22, 2022 that TIEZA falls under the jurisdiction of the Governance Commission for Government-owned and Controlled Corporation (GCG) per RA No. 10149. Thus, Management sent another letter to GCG on the matter.
- 7.10 Management shall notify the audit team any update on the said request. Also, should the request be disapproved, the key officials are willing to return the amounts received in CY 2021.

8. Advance payments to contractors amounting to P2.881 million for four contracts subsequently terminated were not recovered and remained in the books of accounts for years, showing Management's lack of action to recoup the advances from the contractors or insurance companies.

- 8.1 Advance payments to contractors of infrastructure projects are allowed under Section 4.1, Annex E of the RIRR of RA No. 9184, which state that *the procuring entity shall, upon a written request of the contractor which shall be submitted as a contract document, make an advance payment to the contractor in an amount not exceeding fifteen per cent of the total contract price, to be made in lump sum or, at the most, two installments according to a schedule specified in the Instructions to Bidders and other relevant Tender Documents.*
- 8.2 The quarterly report of TIEZA's Projects, Programs and Activities as of December 31, 2021 disclosed a number of contracts entered into by TIEZA with various contractors which were suspended and terminated and without status or action taken by the Management. Hence, the Audit Team issued Audit Query Memorandum (AQM) No. 2022-02(21) dated April 28, 2022 requesting for clarification on the matter which was responded by the Management on May 10, 2022. However, one of the concerns on the status of advance payments was not clarified.
- 8.3 In their reply to the AQM, Management explained that the contractors were at fault in the termination of the projects in the years 2017 and 2019. However, it appears that Management did not take advantage of the remedies provided by the RIRR of RA No. 9184 to demand recoupment from the contractors or the insurance agencies that issued securities as follows:
- a. Standby letter of credit or guarantee instrument covering the advance payment;
 - b. Irrevocable standby letters of credit, bank guarantees or surety bonds callable on demand, in case of substituted retention money; and
 - c. Performance Security to guarantee the faithful performance by the winning bidder of its obligations under the contract in accordance with the Bidding Documents as provided under Section 39.
- 8.4 As a result, Management has not recovered the advance payments amounting to P2.881 million as of to date, after a lapse of more or less five years from the dates of project termination in 2017 and 2019, depriving TIEZA of funds which can augment its tight budget for operations or other significant projects.

- 8.5 We recommended that Management demand the recovery of the long outstanding advances from the concerned contractors or insurance companies and adopt the pertinent provisions of the RIRR of RA No. 9184 to promptly claim recoupment of advances to contractors when the need arises.
- 8.6 During the exit conference, Management explained that Architectural and Engineering Services Sector is currently working with the Legal Department and Financial Services Department to look into the payments and to collate all the documents necessary, to file claims from the contractors or insurance companies.

9. The Gender and Development (GAD) Accomplishment Report (AR) lacked qualitative success indicators to gauge whether or not the objectives were achieved as intended.

- 9.1 This is a restatement of prior year's audit observation.
- 9.2 Column 6, Annex A of Philippine Commission on Women (PCW) – National Economic and Development Authority (NEDA) – DBM Joint Circular No. 2012-01 defined Output Performance Indicators and Targets as *quantitative or qualitative means to measure achievement of the results of the proposed activity and how they contribute to the realization of the GAD objective*. Additionally, it defined *qualitative indicators as measures of an individual or group's judgment and/or perception of congruence of established standards, the presence or absence of specific conditions, the quality of something, or the opinion about something (e.g., the client's opinion of the timeliness of service)*.
- 9.3 There are six major Programs, Activities and Projects (PAPs) identified in the 2021 GAD Plan and Budget (GPB) included in the GAD AR at the end of the year, on which the following were observed:

GAD Activity Particulars	Actual Performance Indicators		Suggested Performance Indicators	Audit Remarks
	Quantitative	Qualitative	Qualitative	
PAP 1 Conduct of advocacy activities and dissemination of Information, Education and Communication materials to ensure critical support of agency officials and stakeholders to activities of GAD Focal Point System and GAD	<ul style="list-style-type: none"> quantity or the number of postings, number of people reached, number of publications social media postings, feedback/comments indicating strengthened awareness of stakeholders 	None	<ul style="list-style-type: none"> Comments/appreciation from beneficiaries or clients showing interests in the posts made Extent of interest of clients as shown in their follow-up of subsequent postings and queries on the agency's profile Clients' level of 	There was no formula used (measurement indicators) nor a Survey Questionnaire administered among agency clients/stakeholders to determine their level of awareness on GAD activities/programs before the postings and publications and thereafter. The use of survey

GAD Activity Particulars	Actual Performance Indicators		Suggested Performance Indicators	Audit Remarks
	Quantitative	Qualitative	Qualitative	
Mainstreaming activities	and agency clients		GAD awareness gathered thru Survey Questionnaire	questionnaire is a reliable instrument to measure positive awareness, advancement in knowledge, and heightened appreciation and interest in GAD's programs/activities.
PAP 2 TIEZA employees' gender issues/needs during pandemic were not integrated in the development of Agency's GAD PAPs.	<ul style="list-style-type: none"> number of surveys formulated; number of meetings/consultations made; number of respondents who answered the survey tools; number of departments, entities, travel tax satellites and TEZ flagship offices participated in the survey gathered data and information based on the responses of the employees 	None	<ul style="list-style-type: none"> Analysis of data gathered for integration in the development of Agency's GAD PAPs to address the gender issues 	<p>No information was given if the gathered data on gender issues were analyzed, as to prevalence, severity, priority, and/or urgency.</p> <p>The significance of numbers may come only after the results of data analysis are on hand to determine prevalence or severity or gender dominance of specific conditions and concerns.</p>
PAP 3 Mandatory Celebration of Women's Month	<ul style="list-style-type: none"> five activities were initiated; around 400 to 500 TIEZA employees, including TIEZA Entities' personnel took part of the celebration; average of 45,000 people reached in the GAD TIEZA page positive feedback posted in the GAD TIEZA facebook page indicating women empowerment 	None	<ul style="list-style-type: none"> Report or evaluation if the activities on the mandatory celebration of Women's Month are well understood, appreciated, and appropriately considered by participants 	The significance of numbers in reporting the holding of specific activities may be possibly expanded to include other qualitative measures to show that celebrations are not more on the numbers of shows but on the content and passion given or acquired by the participants that propel them to observe the activities.

GAD Activity Particulars	Actual Performance Indicators		Suggested Performance Indicators	Audit Remarks
	Quantitative	Qualitative	Qualitative	
PAP 4 GAD capability building of employees	<ul style="list-style-type: none"> Number of GFPS members participated Five online GAD related trainings conducted Number of employees participated in the five online GAD related trainings 	None	<ul style="list-style-type: none"> Report or evaluation on the capability of the participants thru simulated activities 	It is best to measure at the end of a training session whether the participants are able to acquire the desired amount of updated knowledge and develop the right amount of skills to make them capable in actually undertaking or making fully operational in the particular/intended activity areas by giving participants practice sets or simulated activities that may require the application of the knowledge or skills gained from the capability building skills activity.
PAP 5 Annual observance of the 18-day period Campaign to end Violence against Women and to eliminate all forms of violence against children (VAWC)	<ul style="list-style-type: none"> number of TIEZA employees and stakeholders took part in the campaign period five activities were conducted participation in the online activities and social media postings indicating strengthened awareness of Internal and External clients on VAWC 	None	<ul style="list-style-type: none"> Report or evaluation on whether the activities undertaken adequately brought home the objectives of the event – to end all forms of violence against women and the elimination of violence/cruelty against children. 	There was no objective assessment tool used by the Agency. At most, we can agree that the online activities and social media posting reinforced the knowledge of the target population on the topics concerned.
PAP 6 Regular review and monitoring of the implementation of GAD PAPs.	<ul style="list-style-type: none"> Six meetings in CY 2021 conducted One to two quarterly learning sessions conducted 	None	<ul style="list-style-type: none"> Recommendation of corrective measures to address inefficiencies, lapses and/or accomplishments that are falling behind the expectations of GAD PAPs implementation 	The five online GAD related trainings conducted are highly believed to capacitate only the trainees to a level that will bring their knowledge up-to-date or raise their levels of interests to the ideal. There is no clear parameter that may be desired

GAD Activity Particulars	Actual Performance Indicators		Suggested Performance Indicators	Audit Remarks
	Quantitative	Qualitative	Qualitative	
				from participants at the end of the quarterly learning sessions or at the conclusion of the monitoring period or at the termination of the regular meetings held. No corrective measures were recommended to keep up-to-date the implementation of those GAD PAPs which were observed to lag behind, or to call the attention of concerned departments to recommend measures to avoid negative findings, or recommend catch up plans to bring aspects of the GAD PAPs harmonized with the GPB.

9.4 We recommended that Management:

- a. **Adopt survey tools to measure performance indicators before and/or after an activity to determine the qualitative aspects in terms of behavioral changes among participants or use practice sets/simulated activities where participants may be required to apply their knowledge and updated skills to determine the adequacy of acquired knowledge/skill;**
- b. **Resort to a more qualitative and specific measures on level of performance especially in cases where quality such as strengthened awareness, appreciation, understanding of certain concepts or advocacies, is desired to be measured; and**
- c. **Institutionalize the practice of drawing catch up plans, recommend corrective measures, and call the attention of concerned departments or entities as soon as lapses, inefficiencies, poor accomplishments, inadequate resources, and/or lag behind expected outputs occurred together with persistent follow-ups.**

9.5 Management agreed that the measure/success indicators in their GAD AR primarily focused on quantitative indicators and failed to formulate measures and tools in the effectiveness of conducted activities. However, for the conducted capability training programs, Management adopts a

post-evaluation report that serves as feedback mechanism of the activity/program.

- 9.6 Nevertheless, the Authority shall take note and adopt the recommendations.

10. The GAD AR submitted to the Audit Team does not include the two major attributed projects amounting to P150.627 million or 98.74 per cent of the total GPB for the Fiscal Year (FY) 2021, thus accomplishments of the projects cannot be verified using the tools authorized under PCW Memorandum Circular (MC) No. 2021-06 dated December 10, 2021.

- 10.1 Section 1.2.2.2.1 of PCW MC No. 2020-05 dated September 11, 2020 states that an agency may attribute a major program/project to GAD for FY 2021 GPB to meet the minimum five per cent requirement. An attribution may be a portion or the whole budget using the Harmonized Gender and Development Guidelines (HGDG) tool.
- 10.2 For the GPB FY 2021, TIEZA attributed two major projects namely, Sewerage and Waste Water Facility and Boardwalk at Puerto Galera, Oriental Mindoro and Rehabilitation and Redevelopment of McArthur Landing and Memorial Shrine and Park at Brgy. Baras, Palo, Leyte in total amount of P150.627 million to meet the five per cent requirement under the above-mentioned PCW Circular. However, upon reviewing the submitted GAD AR, the two major projects were not included in the actual accomplishments subject for validation.
- 10.3 Section 1.1 of PCW MC No. 2021-06 dated December 10, 2021 states that *pursuant to Section 36 of Republic Act (RA) No. 9710 or the Magna Carta of Women, the utilization and outcome of the GAD budget shall be annually monitored and evaluated. As such, xxx government-owned and/or controlled corporations (GOCCs) shall submit their consolidated FY 2021 GAD AR to PCW through the PCW Gender Mainstreaming Monitoring System (GMMS) on or before March 18, 2022.*
- 10.4 Also, Section 1.5 of the same MC No. 2021-06 mentioned that to assess the gender responsiveness of the implementation of the program/project attributed as a major agency program/project to GAD, the Agency shall accomplish the HGDG, Project Implementation and Management, and Monitoring and Evaluation (PIMME) checklist (HGDG boxes 16 and 17) or the Facility Implementation, Management and Monitoring and Evaluation (FIMME) checklist (HGDG box F2), whichever is applicable.
- 10.5 Due to the non-inclusion of the major projects in the report and non-submission of supporting documents such as the HGDG PIMME and FIMME, the audit team was not able to validate the accomplishments of Management. Despite follow-up request from the GAD Focal Point Person, as of today, the complete GAD AR was not submitted to the Audit Team.

- 10.6 We recommended that Management submit the complete GAD AR to the audit team for proper validation.**
- 10.7 Management explained that the two major attributed projects were not included in the submitted GAD AR due to the on-going assessment of the members from the Architecture and Engineering Services Sector (AESS). Based on the submitted report of AESS, the two major projects failed in the assessment using the PIMME Harmonized GAD Guidelines Checklists – Box 16 for Project Implementation, and Box 17 for Project Monitoring and Evaluation.
- 10.8 Considering the concerns/issues of AESS in accomplishing the HGDC PIMME checklist, the Management will exercise its earnest effort to comply with the PCW MC and will also initiate to seek the guidance of the PCW for technical assistance to further discuss the concerns/issues encountered in the accomplishment of the PIMME tool to address how they can properly attribute the major projects, activities and programs of the Authority.

C. TIEZA ENTITIES

11. The validity of various transactions at TIEZA Entities could not be ascertained due to non-submission of reports, vouchers and/or supporting documents.

- 11.1 Section 4(6) of Presidential Decree (PD) No. 1445 states that all claims against government funds shall be supported with complete documentations.
- 11.2 Furthermore, Paragraph 27 of IPSAS 1 - Presentation of Financial Statements on the fair presentation and compliance with Philippine Financial Reporting Standards (PFRS) provides that *financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in IPSAS. The application of IPSAS, with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation.*
- 11.3 In CY 2021, the following TIEZA Entities were not compliant with the above-mentioned law, rules and regulations:

a. Banaue Hotel and Youth Hostel (BHYH)

- a.i Cost for Consultancy Services and Maintenance Support Services of the Hotel Management System Software in the amounts of

P1.500 million and P248,192 respectively, transferred from the TIEZA Head Office to BHYH books of accounts, lack documents to support the Journal Entry Vouchers (JEVs) to record the transfer.

- a.ii Procurement of food, supplies, construction materials and various services of BHYH in the aggregate amount of P2.935 million were either not done through Competitive Bidding or Alternative method of procurement as prescribed under RA No. 9184; and disbursements are not supported with pertinent documents contrary to existing laws, rules and regulations.
- a.iii Payrolls for services rendered by job order workers in the total amount of P8.381 million were not supported by proper and adequate documents thus, the validity of the disbursements could not be ascertained. Likewise, Job order contracts were not submitted within five working days from execution of the contracts as provided for in COA Circular No. 2009-01 dated February 12, 2009.

b. Zamboanga Golf Course and Beach Park (ZGCBP)

- b.i Payment of COVID-19 Hazard Pay amounting to P0.674 million for the period May 2021 to November 2021 was supported with insufficient documents as required under the provisions of Administrative Order (AO) No. 43 dated June 1, 2021 and AO No. 26 series of 2020.
- b.ii Repairs and Maintenance totaling P1.2 million were not sufficiently supported with documentary requirements contrary to Section 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012.

c. Gardens of Malasag and Eco-Tourism Village (GMETV)

- c.i The lack of manpower in the accounting department caused inefficiencies and undue delay in the submission of reports in CY 2021 and the year-end financial statements from 21 to 112 days contrary to Sections 41, 122, 123 & 124 of PD No. 1445, thereby preventing timely audit of the transactions made.

d. Balicasag Island and Dive Resort (BIDR)

- d.i BIDR failed to comply with the requirements on the submission of Year-End Financial Statements and other Financial Reports/Schedules for inclusion in the Annual Financial Report contrary to Section 5.1 of COA Circular No. 2017-004 and Section 122 of the PD No. 1445 thus, precluding timely auditorial review and detection of errors or irregularity, if any.

11.4 We recommended and Management agreed to:

- a. Ensure that all JEVs/Disbursement Vouchers (DVs) are supported with relevant documents to support the recording of valid transactions; and
- b. Evaluate the agency's current organizational structure and manning complement, duly noting the need for additional personnel at TIEZA-GMETV and TIEZA-BIDR and submit the same to the Head Office.

12. Compliance with Tax Laws

12.1 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, 2022, consistent with the required remittance on or before the 25th day of January of the following year.

12.2 In CY 2021, TIEZA remitted the following:

Income Taxes	74,022
Withholding Taxes - Compensation	27,556,861
Withholding taxes (five per cent Value-Added Tax (VAT), Expanded and Sales/Percentage)	38,451,308
12 per cent VAT	1,735,544

13. Compliance with Rules on Government Mandatory Deductions

13.1 For CY 2021, 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.

13.2 TIEZA remitted the amounts of P50.248 million, P6.400 million, and P2.147 million representing employees' contribution, as well as the government share, to GSIS, PhilHealth, and Pag-IBIG, respectively, for the period December 2020 to November 2021, and for the month of December 2021 GSIS contributions.

13.3 Also, TIEZA remitted the amount of P1.736 million to SSS pertaining to the contributions of Contract of Service personnel excluding the employer share for the period December 2020 to November 2021.

- 13.4 TIEZA made the following remittances in January 2022 which represents the outstanding inter-agency payables of TIEZA to PhilHealth, Pag-IBIG, and SSS as of December 31, 2021, as follows:

Particulars	Balance as of December 31, 2021	Remittances on January 2022
Due to GSIS	0	0
Due to PhilHealth	529,937	529,937
Due to Pag-IBIG	173,000	173,000
Due to SSS	143,135	143,135

14. Summary of Audit Suspensions, Disallowances and Charges (SASDC)

- 14.1 Audit suspensions, disallowances and charges as of year-end are as follows:

Audit Action	Beginning Balance January 1, 2021	Issued	Settled	Ending Balance December 31, 2021
Suspensions	11,848,864.00	0	0	11,848,864.00
Disallowances	197,315,456.76	0	539,727.74	196,775,729.02
Charges	0	0	0	0
Total	209,164,320.76	0	539,727.74	208,624,593.02

- 14.2 Management's reply to Notice of Suspension in the amount of P11.849 million is still under evaluation by the Audit Team as of December 31, 2021.
- 14.3 Notices of Disallowance (NDs) in the aggregate amount of P196.776 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 and are for issuance of COA Order of Execution; the P169.916 million with pending appeals; and the P14.042 million which are already final and executory but remained unsettled despite issuance of demand letters to persons liable who are no longer connected with TIEZA.
- 14.4 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 65 audit recommendations embodied in the previous years' Annual Audit Reports, 33 were implemented/reconsidered, 24 were partially implemented, and 8 were not implemented as shown below:

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR for CY 2020			
Observation No. 1 Page 79	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) 1.	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;	<i>Fully Implemented</i> Management was able to conduct complete inventory taking for Calendar Year (CY) 2021.
		b. Adhere to the provision of COA Circular No. 80-124 on the reconciliation of inventory report with the accounting records; and	<i>Partially Implemented</i> During the year, Management reconciled the inventory report with the accounting records, however, it resulted to a material discrepancy that needs to be addressed by Management.
		c. Adjust the 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.	<i>Partially Implemented</i> Adjustments in the books will be recorded upon submission of documents to support the discrepancies identified in the results of reconciliation. These findings were first raised in CY 2017 AAR and reiterated in CYs 2018-2020 AARs.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Reference	Observations	Recommendations	Actions Taken/ Comments
			Reiterated in Observation No. 1 of this Report.
Observation No. 2 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.	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.	<i>Partially Implemented</i> During the year, no significant action was 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 2020 AARs. Reiterated in Observation No. 2 of this Report.
Observation No. 3 Page 83	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.	a. Maintain the assignment of a focal person to communicate directly to concerned LGUs/NGAs on the submission of required documents;	<i>Partially Implemented</i> FSD maintains the monitoring and reconciliation of transfer of funds to LGUs and NGAs. Demand letters were drafted and sent to concerned LGUs and NGAs for submission of liquidation documents. However, the Construction Management Department is still sending demand letters thus duplicates the process and work of each department.

Reference	Observations	Recommendations	Actions Taken/ Comments
		<p>b. Assign a particular staff to reconcile discrepancies in the Due from LGUs/NGAs accounts periodically in coordination with the focal person;</p> <p>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 LGU/NGA. In this manner, the remaining balance of accountability subject to reconciliation will be substantially reduced; and</p> <p>d. Demand the return of FTs amounting to P10.243 million confirmed as idle, suspended and unutilized by the LGUs/NGAs.</p>	<p><i>Fully Implemented</i></p> <p>Assigned staff from FSD to periodically reconcile the discrepancies in the Due from LGUs/NGAs account.</p> <p><i>Fully Implemented</i></p> <p>On the new accounts, FSD requires the submission of certificate of liquidation of FTs before releasing the final tranche of financial assistance to concerned LGUs/NGAs.</p> <p><i>Fully Implemented</i></p> <p>The FSD sent letters to the four LGUs on June 14, 2021 (1) and September 15, 2021 (3) to demand the return of FTs that are idle, suspended and unutilized.</p> <p>These findings were first raised in CY 2006 AAR and reiterated in CYs 2007 to 2020 AARs.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
			Reiterated in Observation No. 3 of this Report.
Observation No. 4 Page 86	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.	<p>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;</p> <p>b. Require CBCI to upgrade the PCS by programming the automatic generation of Daily Collection Reports (DCRs) instead of preparing the DCRs outside the system; and</p> <p>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.</p>	<p><i>Partially Implemented</i></p> <p>The principal amount from CY 2019 has been remitted by CBCI to TIEZA on January 18, 2021. On the other hand, penalty charges are still not settled by CBCI as of to date.</p> <p><i>Fully Implemented</i></p> <p>During the year, CBCI corrected the errors found in the generation of DCRs.</p> <p><i>Fully Implemented</i></p> <p>The recommendation is duly noted and will be implemented by Management.</p> <p>These findings were first raised in CY 2019 and reiterated in CY 2020 AAR.</p>
Observation No. 5 Page 88	Non-observance of Sections 7.1 on procurement planning and 32.2.1 on bid evaluation of infrastructure projects of the Revised	a. Comply with Section 7.1 of the RIRR of RA No. 9184. In procurement planning, consistently and cautiously check the	<p><i>Reconsidered</i></p> <p>Management committed to be more cautious in the detailed evaluation of bids, including the</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	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.	<p>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</p> <p>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.</p>	<p>BOQ of the project vis-à-vis BOQ of the bidder in order to prevent and avoid similar audit observations.</p> <p><i>Reconsidered</i></p> <p>Management assured that they will incessantly abide with all applicable laws, rules and regulations particularly on RA No. 9184 and its RIRR.</p>
Observation No. 6 Page 93	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	Management stop the awarding of contracts to ineligible bidders and disqualify outright ineligible bidders such as those without valid PCAB license.	<p><i>Reconsidered</i></p> <p>Management 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</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	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".		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.
Observation No. 7 Page 95	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.	a. Adhere to Section 37.2.2 of the RIRR 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.	<i>Not Implemented</i> Management still incurred delays in the preparation and signing of infrastructure contracts. <i>Not Implemented</i> Management still incurred delays in the submission of contracts and supporting documents to the Audit Team. These findings were first raised in CY 2016 AAR and reiterated in CYs 2017-2020 AARs. Reiterated in Observation No. 6 of this Report.
Observation No. 8 Page 97	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,	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.	<i>Reconsidered</i> Management committed to undertake necessary steps to adhere to the provisions of the Insurance Law. The Audit Team agreed to

Reference	Observations	Recommendations	Actions Taken/ Comments
	exposing the Authority to risks of financial losses caused by damage or loss due to theft, robbery, fire, earthquake, storm and other fortuitous events.		Management's intention to reassess first their assets before they determine how much of those are actually insurable.
Observation No. 9 Page 98	The Gender and Development (GAD) Plan and Budget (GPB) 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.	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.	<i>Fully Implemented</i> TIEZA GAD Focal Point System – Technical Working Group (GFPS-TWG) will adhere to the COA recommendation in the preparation of the succeeding GPBs. <i>Fully Implemented</i> Programs, activities, and projects are already being monitored and implemented.
Observation No. 10 Page 100	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	a. Document issuances of stocks and all adjustments with the required Requisition and Issuance Slip (RIS) and other supporting documents; b. Prepare the Monthly Report of Issuance of Supplies;	<i>Fully Implemented</i> Management now documents all transactions related to the issuance of RIS. <i>Fully Implemented</i> Management is already preparing monthly report of

Reference	Observations	Recommendations	Actions Taken/ Comments
	cards, non-conduct of complete physical inventory, and consequently, non-reconciliation of inventory count with accounting and property records.	<p>c. Maintain complete stock cards for all inventories;</p> <p>d. Conduct annual physical count of all inventories and prepare and submit a Report on the Physical Count of Inventories (RCPI);</p> <p>e. Reconcile the inventory report with the accounting and property records; and</p> <p>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.</p>	<p>issuance of supplies.</p> <p><i>Partially Implemented</i></p> <p>Not all inventories have stock cards according to the Management.</p> <p><i>Partially Implemented</i></p> <p>Management conducted partial inventory taking of inventories.</p> <p><i>Not Implemented</i></p> <p>Management have submitted the RCPI to the Audit Team but was not reconciled with the accounting records.</p> <p><i>Partially Implemented</i></p> <p>Management is not yet imposing sanctions on the accountable officers since they have partially conducted inventory taking. They are currently working on the reconciliation of accounts to comply with the audit recommendations.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 11 Page 100	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.	a. Prepare the Annual Procurement Plan (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.	<i>Fully Implemented</i> The Management of Gardens of Malasag Eco-Tourism Village (GMETV) agreed to observe the recommendation. <i>Reconsidered</i> The Management of GMETV explained that the bulk of their procurement using RER through reimbursements are those supplies that cannot be ordered in large quantities and are perishable. Also, during the pandemic, their purchases are only minimal because the events were put on hold as GMETV is being used as a quarantine facility. Moreover, GMETV no longer process reimbursements without official receipts.
Observation No. 12 Page 104	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	a. Instruct the Property Custodian to prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) as basis for disposal of unserviceable properties and derecognition by the Accounting Unit;	<i>Fully Implemented</i> The Management of Zamboanga Golf Course and Beach Park prepared the IIRUP and mailed to TIEZA-Head Office (HO) for signature and approval.

Reference	Observations	Recommendations	Actions Taken/ Comments
	Auditing Code of the Philippines.	<p>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;</p> <p>c. After the disposal, submit the fully accomplished IIRUP to the Accounting Unit to derecognize unserviceable properties from the books of accounts; and</p> <p>d. Ensure strict compliance with COA Circular No. 2020-006 dated January 31, 2020 on the one-time cleansing of PE account balances.</p>	<p><i>Partially Implemented</i></p> <p>Management is still waiting for the signed report from the HO before disposing the unserviceable properties.</p> <p><i>Not Implemented</i></p> <p>Implementation depends on when the disposal will happen before derecognizing the properties from the books of accounts.</p> <p><i>Not Implemented</i></p> <p>Reiterated in the CY 2021 Management Letter.</p>
AAR for CY 2019			
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 International Public Sector Accounting	a. Require the Financial Services Department (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	<i>Reconsidered</i>
			Adjusting entries will be made upon the complete submission of liquidation reports to the Accounting Division.

Reference	Observations	Recommendations	Actions Taken/ Comments
	Standards (IPSAS) 1.	b. 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.	<i>Reconsidered</i> The FSD assigned a focal person to follow-up the status of fund transfers and liquidation documents with the LGUs and NGAs.
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.	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.	<i>Partially Implemented</i> Management is presently exerting its earnest efforts to collect the payment of its share from the hotel revenues. Moreover, they are working on the amendment ratifying and agreeing to the collection (TIEZA) and payment (COPL) of two per cent of the room revenues derived from the operation of the hotel facilities built in the platform instead on the landside. 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	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;	<i>Partially Implemented</i> The Travel Tax Department (TAXD) had already sent three demand notices/letters to the airlines regarding their outstanding assessments and

Reference	Observations	Recommendations	Actions Taken/ Comments
	Government and other government agencies of additional funds needed for operations and understating the reported Accounts Receivable by the same amount.	<p>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</p> <p>c. Record in the books of accounts the tax revenue and accounts receivable of P94.529 million.</p>	<p>endorsed to the LD after the third and final notice.</p> <p><i>Partially Implemented</i></p> <p>The TAXD will exhaust all their possible efforts in collecting the travel tax dues from airlines with ceased operations, and will coordinate with the concerned agency/ies in setting policies and/or guidelines on assessments of travel tax.</p> <p>In the meeting held 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.</p> <p>These findings were first raised in CY 2007 AAR and reiterated in CYs 2008 to 2012, 2015 to 2019 AARs.</p> <p><i>Not Implemented</i></p> <p>Management has not recorded the revenue as of to date.</p>

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).	<p>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;</p> <p>b. xxx</p> <p>c. Require the FSD to analyze the Guaranty Deposit account and enforce the refund of dormant accounts amounting to P15.073 million.</p>	<p><i>Partially Implemented</i></p> <p>Management is continuously sending demand letters to various debtors.</p> <p>Management submitted their request for write-off of Accounts Receivable and Other Receivable accounts in CY 2021 subject to evaluation of supporting documents.</p> <p><i>Partially Implemented</i></p> <p>Management submitted an analysis of Guaranty Deposits account.</p> <p>The FSD sent memo to Business Development Department (BUDD) and Construction Management Department (COMD) requesting for assistance on inputs and status of the projects with payment of guaranty deposits before the enforcement of refund.</p> <p>These findings were first raised in CY 2014 AAR and reiterated in CYs 2015 to 2017, and 2019 AARs.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
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.	<i>Reconsidered</i> The P12 billion remittance of TIEZA to the BTr will be treated by the Department of Finance (DOF) as advance payment of TIEZA's dividends. Also during the year, TIEZA Management submitted a revised computation of dividends subject to validation and recomputation by DOF. Moreover, during their meeting with DOF, the DOF acknowledged TIEZA's argument that travel taxes are exempted from dividends, however, there was no formal reply or documentation regarding the matter.
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.	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).	<i>Partially Implemented</i> On June 2, 2021, the TRO sent a letter to Metropolitan Waterworks And Sewerage System (MWSS) requesting for copies of the Revised CA. In the absence of MWSS reply, the Maynilad had published in its website their Revised CA which is being used by the TRO as reference on their comparison with the

Reference	Observations	Recommendations	Actions Taken/ Comments
			TIEZA CA. However, TRO will still strive to secure a copy of the MWCI version of its Revised CA as MWCI is the mother agency of BIWCI.
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.	<i>Partially Implemented</i> Management is currently seeking for factual basis from the concerned airlines to fully substantiate their claim that the recommendation to remit travel tax assessments on the next banking day is not feasible. This finding was first raised in CY 2019 AAR. Reiterated in Observation No. 5 of this Report.
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 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.	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.	<i>Partially Implemented</i> The MISD is still reviewing the system flaws observed by the Audit Team. There are still some undetected system flaws upon conducting manual reconciliation on the 24-hour validity of reference numbers.

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 13 Page 107	The objective of the Memorandum of Agreement (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.	<i>Reconsidered</i> Management is still coordinating with the BI on the update of MOA amendment and the online application for the A/D cards. However, due to COVID-19 pandemic the BI's digital A/D card program was suspended. This finding was first raised in CY 2018 AAR and reiterated in CY 2019 AAR.
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.	<i>Fully Implemented</i> Mayor's Administrative Order No. 988 s. 2021 was issued to BBCCII last July 28, 2021 regarding the revocation of business permit and closure of BBCCII. On July 29, 2021 the Closure Order was furnished to BBCCII by the Office of Business Permits and Licensing Office and Notice to transfer of 13 tenant within 30 days upon receipt of notice.
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	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	<i>Partially Implemented</i> To date, Management only submitted the checklist on Bid Evaluation and Post-Qualification.

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>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.</p> <p>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.</p>	and Cultural Village Center, Davao City project.	
Observation No. 24 Page 128	The Gender and Development (GAD) Accomplishment Report (AR) lacks qualitative success indicators to gauge whether or not the objectives were achieved as intended.	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 GAD activities were effectively discharged to ensure that planned objectives are achieved.	<p><i>Not Implemented</i></p> <p>Management have not included the qualitative success indicators on their GAD Plan and Budget and GAD AR for CY 2021.</p> <p>This finding was first raised in CY 2019 AAR.</p> <p>Reiterated in Observation No. 10 of this Report.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AAR for CY 2018			
Observation No. 6 Page 78	The incremental rental rates provided under the CoL with China Oceanis PTE., LTD (COPL) were not properly applied in the lease charges and the two per cent variable component on hotel operations on top of the fixed rental rate was not collected and recorded resulting in undercollection and understatement of rental income amounting to P2.355 million and undisclosed share in hotel operations.	Enforce the collection of P2.355 million and record the same representing incremental lease rates as provided in the contracts entered into with COPL.	<i>Fully Implemented</i> A revised Statement of Account was prepared and subsequently acknowledged by COPL on Aug 24, 2021. TIEZA received payment from COPL for the arrears up to CY 2019 amounting to P9.276 million including taxes. This finding was 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.	<p>a. Establish a sound internal policy/ guidelines for accounts receivable management that will facilitate collection;</p> <p>b. Observe guidelines set under COA Circular Nos. 97-001 and 2016-005 for the following:</p> <p>b.1 Perform a detailed review of past due accounts;</p> <p>b.2 Resolve items with dispute;</p>	<p><i>Partially Implemented</i></p> <p>Management is reviewing CIGC's policy on Accounts Receivable.</p> <p><i>Reconsidered</i></p> <p>CIGC Management is reviewing all past due accounts.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		<p>b.3 Provide an adequate allowance for doubtful accounts; and</p> <p>b.4 Apply for write-off of dormant accounts</p> <p>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 Kayumanggi Catering Services (KCS). Consider the provision of the above-mentioned Circular on write-off of receivables in case of remote probability of collection.</p>	<p>CIGC Management had already provided and recorded allowance for doubtful accounts.</p> <p>CIGC accounting will draft request for write off of dormant accounts upon compilation and reconciliation of its supporting documents.</p> <p><i>Reconsidered</i></p> <p>CIGC Management had already coordinated with TIEZA's Legal Department (LD). However, the writ of execution can only be pursued upon the availability of KCS' updated corporate address.</p> <p>These findings were first raised in CY 2016 AAR and reiterated in CY 2017 and 2018 AARs.</p>
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.	<p><i>Reconsidered</i></p> <p>During the exit conference, Management commented that they had series of communications with Cyware to update the system's software during 2020. However, during the pandemic the assistance of Cyware</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
			was stopped thus, Management was forced to adopt the databases and programs of OOTTPAPS. As of now, Management is updating the system through the Management Information System Department (MISD).
Observation No. 22 Page 101	The grant of discounts to golf players was without legal basis.	Submit the legal basis of granting discounts and free of charge (FOC) to golf players or stop the irregular practice.	<i>Partially Implemented</i> Management will propose to the Board of Directors the guidelines on granting discounts which were provided on their operations manual. No action from the Management as of to date. 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 mitigate the risks of further encroachment and opportunity loss due to non-operation.	Authorize the Asset Management Sector (AMS) and the LD to initiate actions to resolve the encroachment of various TIEZA properties in order to reclaim these properties and mitigate the risks of further encroachment and relocation costs.	<i>Partially Implemented</i> Management is continuously coordinating with various government officials and Department of Environment and Natural Resources to seek assistance in effectively reclaiming TIEZA's Assets. The AMS already endorsed the

Reference	Observations	Recommendations	Actions Taken/ Comments
			encroachment issues to LD for their appropriate action.
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.	<i>Reconsidered</i> Management is now updating the system with the help of TIEZA's MISD for in-house support and maintenance of the system.
AAR for CY 2017			
Observation No. 14 Page 100	Audit disallowances amounting to P42.589 million remain unsettled.	<p>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</p> <p>b. Comply with the provisions of Section 7.1 of COA Circular No. 2009-006 dated September 15, 2009 prescribing the Use</p>	<p><i>Reconsidered</i></p> <p>Collections were partially received from persons liable under COA Order of Execution (COE) No. 2017-064 dated June 23, 2017 and COE No. 2015-012 dated May 20, 2015.</p> <p>More so, payment of P0.420 million for the compromise agreement under Civil Case No. 10-124863 were received during the year from persons liable.</p> <p><i>Reconsidered</i></p> <p>Management is continuously exerting their effort in sending demand letters to</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
		of the Rules and Regulations on 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.	persons liable for the settlement of long outstanding disallowances. 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.	<i>Reconsidered</i> The payment for review fee was already refunded by the employee through salary deduction in 2018. Since the issuance of the observation, Management has not granted the said program to any TIEZA employee. Nevertheless, the amendments on TIEZA's Career Development Plan is still on-going and for review by the Human Resource Committee.
Observation No. 21 Page 113	TIEZA paid the amount of P274,232 for the Training Executive Development Program (TEDP) in the absence of legal	Provide legal basis and justification to support the incurrence of the mentioned expenditures; otherwise, we shall be constrained to disallow	<i>Fully Implemented</i> Management submitted a supplemental contract duly signed by the contracting

Reference	Observations	Recommendations	Actions Taken/ Comments
	basis.	the said expenses amounting to P274,232.	parties to support the expenditures incurred in the culminating activity of TEDP.
Observation No. 26 Page 120	<p>Properties of TIEZA Entities remain unutilized:</p> <p>a. Banaue Hotel and Youth Hostel (BHYH) Employees' Quarters costing P8.957 million remain unutilized for more than four years since its construction;</p> <p>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.</p>	<p>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; and</p> <p>b. Propose plans for the immediate use of the BHYH Employees' Quarters as intended in order to prevent further deterioration.</p>	<p><i>Partially Implemented</i></p> <p>The case filed was not moving as of CY 2021 due to COVID-19 pandemic as hearings are being suspended.</p> <p><i>Not Implemented</i></p> <p>Plans were already forwarded to the HO. A copy of the plans will be furnished to the Audit Team once approved.</p>
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 P148,736 for the delay incurred in the completion of the project.	<p><i>Reconsidered</i></p> <p>The contractor will only be charged for the liquidated damages on the final payment. As of to date, payments are on hold due to the issuance of Notice of Disallowance No. 2017-003(14) dated June 29, 2017.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
Observation No. 15 Page 56	Inadequacies and deficiencies in the accounting and management of Property and Equipment (PE) 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.	<i>Partially Implemented</i> 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.	<i>Partially Implemented</i> To date, appraisal was made for several Hilaga equipment but remained undisposed.
AAR for CY 2013			
Observation No. 5 Page 39	<p>The guidelines in the preparation of the Approved Budget for Contract (ABC) were not strictly followed by the Authority.</p> <ul style="list-style-type: none"> 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.	<i>Reconsidered</i> Excess amount paid to the contractor cannot be recovered anymore as there is no existing contract with the contractor as of to date.