



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

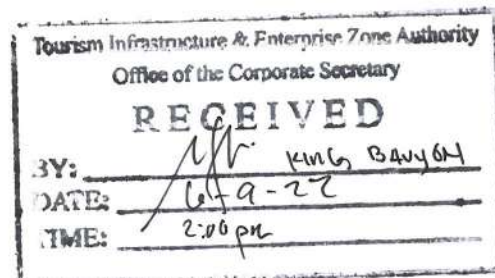
CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

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
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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
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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.

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- 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:

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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.



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

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

-
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.

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.