



Republic of the Philippines  
**Tourism Infrastructure & Enterprise Zone Authority**

**MEMORANDUM**

FOR : **ATTY. AL CONRAD B. ESPALDON**  
*Corporate Secretary/GCG Compliance Officer*

**Ms. RAQUEL S. DELA CRUZ**  
*Department Manager, Management Information Systems Department*

SUBJECT : **GCG Checklist of Eligibility Requirements for  
Performance Based Bonus CY 2022**

DATE : **July 10, 2023**

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Relative to the Governance Commission for Government Owned or Controlled Corporation (GCG) compliance, attached is COA Annual Audit Report for CY 2022 for your reference and TIEZA website posting.

Thank you very much.

  
**RODOLFO E. ANCHETA**  
*Manager, Financial Services Department*



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

# **ANNUAL AUDIT REPORT**

**on the**

# **TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY**

**For the Years Ended December 31, 2022 and 2021**

## 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 364 permanent employees, 39 coterminous with the official being served, 27 coterminous with the privatization of the operating entity, 32 coterminous with the incumbent, 513 job orders, 44 contracts of service and five consultants as of December 31, 2022.

### FINANCIAL HIGHLIGHTS

#### I. Comparative Financial Position

	2022	2021 (Restated)	Increase (Decrease)
Assets	13,327,506,649	12,731,988,901	595,517,748
Liabilities	4,808,585,851	4,193,006,560	615,579,291
Equity	8,518,920,798	8,538,982,341	(20,061,543)

## II. Comparative Results of Operations

	2022	2021	Increase (Decrease)
Income	1,499,420,541	355,282,679	1,144,137,862
Expenses	1,521,516,025	1,309,364,971	212,151,054
Net Loss	22,095,484	954,082,292	931,986,808

## III. Budget and Actual Expenditures

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

	2022		2021	
	Budget	Actual	Budget	Actual
Personnel Services	517,831,541	483,397,514	482,731,000	422,898,914
Maintenance and Other Operating Expenses	568,595,615	565,722,582	559,272,038	459,513,672
Capital Outlay	674,164,532	623,672,734	697,176,342	688,601,817
Debt Payment	32,937,000	29,228,294	32,937,000	30,265,809
Special Contingency Fund	0	0	200,000,000	0
Finance Cost	5,616,312	3,359,395	7,648,620	4,570,769
Total	1,799,145,000	1,705,380,519	1,979,765,000	1,605,850,981

## 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, 2022 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, 2022 and 2021. 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 an unqualified opinion on the fairness of presentation of the financial statements of TIEZA for the years 2022 and 2021.

## SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The faithful representation of the balances of Property and Equipment (PE) and Service Concession Assets (SCA) was not achieved as required under International Public Sector Accounting Standard (IPSAS) No. 1 because the balance amounting to P5.114 billion was doubtful due to unaccounted and unreconciled balance of

P42.811 million between the results of physical count and the balance recorded in the books of accounts.

We reiterated our prior years' recommendations that Management:

- a. Ensures the proper reconciliation of inventory reports with the accounting records;
  - b. Acts immediately on the identified issues in the results of reconciliation of inventory report with the accounting records, specifically the validation of computer software, movable PE identified as missing, destroyed, or for disposal, and donated PE that lacks documentation; and
  - c. Adjusts 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 and SCA accounts in the financial statements.
2. Investment Properties amounting to P114.241 million acquired either by purchase or donation remained untitled to date, thereby negating management's assertion of its rights and obligations pertaining thereto.

We reiterated our prior years' recommendation that Management fast-tracks the titling of Investment Properties and consider filing necessary legal action against individuals claiming ownership of land acquired by TIEZA if warranted.

3. The grant of monetary awards under the Program on Awards and Incentives for Service Excellence (PRAISE) conferred to all TIEZA employees as Corporate Achievement Award in recognition of the Agency's International Organization for Standardization (ISO) Certification, amounting to P22.215 million, was not in accord with the pertinent provisions of the Civil Service Commission Memorandum Circular (CSC MC) No. 01, series of 2001 (s. 2001), rendering such monetary award as unauthorized and irregular expenditures pursuant to COA Circular No. 2012-003 dated October 29, 2012.

We recommended that Management:

- a. Discontinues the grant of the PRAISE monetary award to all employees in recognition of the agency's achievement of being an ISO-QMS Certified; and
  - b. Henceforth, strict adherence to the cited CSC rules and regulations on the succeeding grant of PRAISE awards is enjoined.
4. Unliquidated balance of P568.803 million due from Local Government Units (LGUs) and National Government Agencies (NGAs) were not properly accounted for and utilized, in violation of COA Circular No. 94-013 dated December 13, 1994.

We reiterated our prior years' recommendations that Management:

- a. Instructs the focal person of FSD to communicate directly with the concerned LGUs/NGAs. Aside from the regular mailing of demand letters, available alternative modes of communication, such as phone calls, chats, or electronic

mail, are encouraged to facilitate the follow-up and submission of required liquidation documents;

- b. Demands the return of FTs amounting to P1.377 million confirmed as unutilized and unexpended by the LGUs and NGA; and
  - c. Requires the FSD in collaboration with the Legal Department to evaluate long outstanding accounts and file requests for the write-off of dormant accounts with the 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.
5. 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 from 30 to 45 calendar days by airlines, impedes the timely inflow of funds to the government.

We reiterated our prior years' recommendations that the T3RC:

- a. Fast-tracks its study on the subject matter, considering the best interests of TIEZA and the Government in general; and
- b. Proposes to the Secretary of the Department of Tourism the revision of Rule 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 the T3RC's evaluation as approved by Management.

## **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 P208.401 million as of December 31, 2022, details of which are included in Part II of this report.

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Out of the 44 audit recommendations embodied in Prior Years' Annual Audit Reports, 26 were implemented and the remaining 18 were not implemented. Details are presented in Part III of this Report.

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## **PART I**

# **AUDITED FINANCIAL STATEMENTS**



## **PART II**

# **OBSERVATIONS AND RECOMMENDATIONS**

## **PART III**

### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

Tourism Infrastructure and Enterprise Zone Authority  
6<sup>th</sup> and 7<sup>th</sup> 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***

#### **Unqualified 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, 2022 and 2021, 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, 2022, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TIEZA as at December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSAS).

#### **Basis for Opinion**

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 opinion.

### **Emphasis of Matter**

We draw attention to Note 33 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.

### **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 35 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### **COMMISSION ON AUDIT**



**MYRNA T. PETALIO**  
Supervising Auditor

June 20, 2023



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, 2022 and 2021, 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.

**ATTY. MAE ELAINE T. BATHAN**  
Alternate Chairperson

**MARK T. LAPID**  
Chief Operating Officer

**RODOLFO E. ANCHETA**  
Manager, Financial Services Department

**JUN 29 2023**

**TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2022 and 2021**  
(In Philippine Peso)

	Note	2022	2021 (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	1,614,392,295	1,085,957,933
Financial Assets - Held to Maturity	5	160,000,000	350,000,000
Receivables, net	6	205,332,412	62,324,123
Inventories	7	16,749,560	17,627,115
Other Current Assets	8	85,163,364	115,505,498
		<b>2,081,637,631</b>	1,631,414,669
<b>Non-Current Assets</b>			
Financial Assets - Held to Maturity	5	252,278,005	412,278,005
Investment in Associate	9	247,839,449	219,017,725
Receivables, net	6	562,001,570	619,216,069
Investment Property, net	10	305,950,747	313,332,011
Property and Equipment, net	11	5,964,179,791	5,741,119,899
Service Concession Assets, net	12	3,784,781,918	3,651,625,022
Other Non-Current Assets	8	128,837,538	143,985,501
		<b>11,245,869,018</b>	11,100,574,232
<b>TOTAL ASSETS</b>		<b>13,327,506,649</b>	12,731,988,901
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	13	227,249,302	225,717,685
Inter-Agency Payables	14	605,430,489	196,502,463
Deferred Credits/Unearned Income	15	6,713,231	5,261,178
Provisions	16	111,150,726	100,460,712
Other Payables	17	30,204,774	25,894,600
		<b>980,748,522</b>	553,836,638
<b>Non-Current Liabilities</b>			
Financial Liabilities	13	56,186,569	87,612,613
Trust Liabilities	18	173,972,929	131,196,430
Deferred Credits/Unearned Income	15	3,485,817,685	3,336,564,201
Other Payables	17	111,860,146	83,796,678
		<b>3,827,837,329</b>	3,639,169,922
<b>TOTAL LIABILITIES</b>		<b>4,808,585,851</b>	4,193,006,560
<b>Net Assets (Total Assets Less Total Liabilities)</b>		<b>8,518,920,798</b>	8,538,982,341
<b>NET ASSETS/EQUITY</b>			
Share Capital	31	10,850,215	10,850,215
Accumulated Surplus		8,508,070,583	8,528,132,126
<b>TOTAL NET ASSETS/EQUITY</b>		<b>8,518,920,798</b>	8,538,982,341

*The notes on pages 10 to 80 form part of these financial statements.*

**TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
**For the Years Ended December 31, 2022 and 2021**  
(In Philippine Peso)

	Note	2022	2021 (As Restated)
<b>Revenue</b>			
Tax Revenue	19	1,245,041,250	166,199,545
Service and Business Income	20	246,359,564	179,830,027
Shares, Grants and Donations	21	86,748	0
		<b>1,491,487,562</b>	<b>346,029,572</b>
<b>Current Operating Expenses</b>			
Personnel Services	22	485,971,943	416,647,613
Maintenance and Other Operating Expenses	23	611,595,130	441,706,918
Financial Expenses	24	3,726,989	4,537,863
Direct Costs	25	14,640,230	4,530,841
Non-Cash Expenses	26	170,476,000	194,627,220
		<b>1,286,410,292</b>	<b>1,062,050,455</b>
<b>Surplus (Loss) from Operations</b>		<b>205,077,270</b>	<b>(716,020,883)</b>
<b>Non-Operating Income (Loss)</b>			
	27		
Gain on Foreign Exchange		5,299,968	8,639,799
Miscellaneous Income		2,633,011	613,308
Losses		(30,771,166)	(57,719,625)
<b>Surplus/(Loss) Before Tax</b>		<b>182,239,083</b>	<b>(764,487,401)</b>
<b>Income Tax Expense</b>		<b>136,609</b>	<b>74,022</b>
<b>Surplus/(Loss) After Tax</b>		<b>182,102,474</b>	<b>(764,561,423)</b>
<b>Net Assistance/Subsidy/ (Financial Assistance/Subsidy/Contribution)</b>	28	<b>(204,197,958)</b>	<b>(189,520,869)</b>
<b>Net Loss for the Period</b>		<b>(22,095,484)</b>	<b>(954,082,292)</b>

*The notes on pages 10 to 80 form part of these financial statements.*



**TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY**  
**STATEMENTS OF CHANGES IN NET ASSETS/EQUITY**  
**For the Years Ended December 31, 2022 and 2021**  
(In Philippine Peso)

	Note	Accumulated Surplus	Share Capital	Total
<b>BALANCE AT JANUARY 1, 2021</b>		<b>9,500,565,255</b>	<b>10,850,215</b>	<b>9,511,415,470</b>
<b>CHANGES IN NET ASSETS/EQUITY FOR CY 2021</b>				
Loss for the Year		(954,082,292)		(954,082,292)
Other Adjustments	31	(18,350,837)		(18,350,837)
<b>BALANCE AT DECEMBER 31, 2021, as Restated</b>		<b>8,528,132,126</b>	<b>10,850,215</b>	<b>8,538,982,341</b>
<b>CHANGES IN NET ASSETS/EQUITY FOR CY 2022</b>				
Loss for the Year		(22,095,484)		(22,095,484)
Other Adjustments	31	2,033,941		2,033,941
<b>BALANCE AT DECEMBER 31, 2022</b>		<b>8,508,070,583</b>	<b>10,850,215</b>	<b>8,518,920,798</b>

*The notes on pages 10 to 80 form part of these financial statements.*

**TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2022 and 2021**  
(In Philippine Peso)

	2022	2021 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Collection of Income/Revenue	2,603,424,206	495,997,656
Trust Receipts	316,888,812	103,374,852
Receipt of Intra-Agency Fund Transfers	244,479,204	69,415,706
Receipt of Assistance/Subsidy	117,115,620	0
Collection of Receivables	30,718,448	18,198,912
Receipt of Inter-Agency Fund Transfers	0	27,318,403
Other Receipts	13,512,737	1,342,505
<b>Total Cash Inflows</b>	<b>3,326,139,027</b>	<b>715,648,034</b>
<b>Cash Outflows</b>		
Remittance of Share on Travel Tax Collections	860,403,025	85,843,025
Payment of Expenses	702,494,243	579,406,043
Payments of Accounts Payable	277,423,846	110,245,011
Remittance of Personnel Benefit Contributions and Mandatory Deductions	254,217,328	233,181,064
Release of Intra-Agency Fund Transfers	250,235,888	77,148,694
Release of Inter-Agency Fund Transfers	190,643,163	397,632,585
Purchase of Inventories	30,764,655	18,429,553
Refund of Deposits	18,274,121	13,236,537
Grant of Cash Advances	11,709,905	4,797,237
Prepayments	1,772,923	767,355
Grant of Financial Assistance/Subsidy/Contribution	400,000	445,000
Other Disbursements	47,656,325	28,856,802
<b>Total Cash Outflows</b>	<b>2,645,995,422</b>	<b>1,549,988,906</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>680,143,605</b>	<b>(834,340,872)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Matured Investments/Redemption of Long-term Investments/Return on Investments	353,345,417	2,128,065,725
<b>Total Cash Inflows</b>	<b>353,345,417</b>	<b>2,128,065,725</b>
<b>Cash Outflows</b>		
Purchase/Construction of Property and Equipment	459,773,071	231,057,717
Purchase of Investments	16,017,028	1,259,471,821
<b>Total Cash Outflows</b>	<b>475,790,099</b>	<b>1,490,529,538</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>(122,444,682)</b>	<b>637,536,187</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities	29,247,826	31,613,873
<b>Total Cash Outflows</b>	<b>29,247,826</b>	<b>31,613,873</b>
<b>Net Cash Used In Financing Activities</b>	<b>(29,247,826)</b>	<b>(31,613,873)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>528,451,097</b>	<b>(228,418,558)</b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(16,735)</b>	<b>994</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>1,085,957,933</b>	<b>1,314,375,497</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>1,614,392,295</b>	<b>1,085,957,933</b>

The notes on pages 10 to 80 form part of these financial statements.

**TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**For the Year Ended December 31, 2022**  
(In Philippine Peso)

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual Amounts
	Original	Final (1)		
			(2)	(3) = (1) - (2)
<b>RECEIPTS</b>				
Tax Revenue	606,137,000	606,137,000	1,245,041,250	(638,904,250)
Business Income	145,975,000	145,975,000	193,153,665	(47,178,665)
Service Income	6,771,000	6,771,000	209,027	6,561,973
Assistance and Subsidy	117,115,620	117,115,620	117,115,620	0
Other Income	44,378,000	44,378,000	50,571,178	(6,193,178)
Other Sources of Fund	968,334,380	968,334,380	968,334,380	0
	<b>1,888,711,000</b>	<b>1,888,711,000</b>	<b>2,574,425,120</b>	<b>(685,714,120)</b>
<b>PAYMENTS</b>				
Personnel Services	570,053,000	517,831,541	483,397,514	34,434,027
Maintenance and Other Operating Expenses	603,049,688	568,595,615	565,722,582	2,873,033
Capital Outlay	675,355,000	674,164,532	623,672,734	50,491,798
Debt Payment	32,937,000	32,937,000	29,228,294	3,708,706
Finance Cost	7,316,312	5,616,312	3,359,395	2,256,917
	<b>1,888,711,000</b>	<b>1,799,145,000</b>	<b>1,705,380,519</b>	<b>93,764,481</b>
<b>NET RECEIPTS/PAYMENTS</b>	<b>0</b>	<b>89,566,000</b>	<b>869,044,601</b>	<b>(779,478,601)</b>

*The notes on pages 10 to 80 form part of these financial statements.*

## **TOURISM INFRASTRUCTURE AND ENTERPRISE ZONE AUTHORITY NOTES TO FINANCIAL STATEMENTS**

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### **1. GENERAL/CORPORATE INFORMATION**

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

- a. To designate, regulate, and supervise the Tourism Enterprise Zones (TEZs) established under RA No. 9593;
- b. To develop, manage, and supervise tourism infrastructure projects in the country;
- c. To supervise and regulate the cultural, economic, and environmentally sustainable development of TEZs toward the primary objective of encouraging investments therein;
- d. To ensure strict compliance of the TEZ operator with the approved development plan by imposing penalties for failure or refusal of the tourism enterprises to comply with the approved development plan which shall also be considered a violation of the terms of accreditation; and
- e. To continue the previously exercised functions of PTA under Presidential Decree (PD) No. 564 not otherwise inconsistent with the other provisions of RA No. 9593. It shall, however, cease to operate the Duty Free Philippines.

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

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

- a. DOT Secretary as Chairperson;
- b. TIEZA Chief Operating Officer (COO) as Vice-Chairperson;
- c. Tourism Promotions Board (TPB) COO as Member;
- d. Department of Public Works and Highways (DPWH) Secretary as Member;
- e. Department of Environment and Natural Resources (DENR) Secretary as Member;
- f. Department of the Interior and Local Government Secretary (DILG) as Member;
- g. Mindanao Development Authority (MDA) Chairperson as Member; and

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

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

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

### **Sources of Revenue**

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

- a. 50 per cent of the proceeds from travel tax collections. Five per cent of TIEZA share shall be earmarked for the development of historic, cultural, religious and heritage sites, and prime tourist destinations. Another five per cent shall be earmarked for the development of eco-tourism sites in depressed provinces with strong tourism potentials;
- b. Reasonable share from the collections of the Office of Tourism Resource Generation, as determined by the DOT under Section 16 of RA No. 9593;
- c. Income from projects managed by TIEZA;
- d. One-third (1/3) of the proceeds from back taxes to be paid under Section 39 of RA No. 9593;
- e. Unallocated portion of the Tourism Promotions Fund under Section 55 of RA No. 9593;
- f. One-third (1/3) of the five per cent tax on gross income earned by new tourism enterprises under Section 86 of RA No. 9593;
- g. Subsidies or grants from local and foreign sources; and
- h. Other sources of funds.

### **Collection and Allocation of Travel Taxes**

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

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

Agency	Percentage
TIEZA	50
CHED	40
NCCA	10

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

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

The agency's Financial Statements were approved and authorized for issue by the Board of Directors on June 20, 2023.

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

### **2.1 Statement of Compliance**

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

### **2.2 Basis of Preparation of Financial Statements**

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

### **2.3 Functional and Presentation Currency**

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

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## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Basis of Accounting**

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

## **3.2 Combination**

### **Combined Entities**

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

### **Controlled Entities**

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

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

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

The controlled entities are the following:

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

## **3.3 Financial Instruments**

### **a. Financial Assets**

#### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. TIEZA determines the classification of its financial assets at initial recognition.

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

#### **Subsequent Measurement**

The measurement of financial assets depends on their classification.

### **Financial assets at fair value through surplus or deficit**

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

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

### **Cash and cash equivalents**

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

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### **Held-to-maturity**

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

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

### **Derecognition**

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

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



- TIEZA has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 – Financial Instruments: Recognition and Measurement; and either the entity has:
  - transferred substantially all the risks and rewards of ownership of the financial asset; or
  - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

### **Impairment of Financial Assets**

TIEZA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization; and
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults).

### **b. Financial Liabilities**

#### **Initial Recognition and Measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. TIEZA determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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

### **Subsequent Measurement**

The measurement of financial liabilities depends on their classification.

#### **Financial liabilities at fair value through surplus or deficit**

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

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

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or deficit.

#### **Loans and borrowings**

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

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

#### **Derecognition**

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

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

#### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the combined statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an

intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **3.4 Inventories**

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

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

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

### **3.5 Prepayments**

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

### **3.6 Investment in Associates**

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

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

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

that the Authority has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

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

### **3.7 Investment Properties**

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

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

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

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

### **3.8 Property and Equipment**

#### **Recognition**

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

The characteristics of PE are as follows:

- a. tangible items;
- b. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- c. are expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

- a. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- b. the cost or fair value of the item can be measured reliably; and
- c. the cost is at least P50,000.

## **Measurement at Recognition**

An item recognized as PE is measured at cost.

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

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

Cost includes the following:

- a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. expenditure that is directly attributable to the acquisition of the items; and
- c. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

## **Measurement after Recognition**

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

When significant parts of PE are required to be replaced at intervals, TIEZA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

## **Depreciation**

Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

## **Initial recognition of depreciation**

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PE is available for use on or before the 15<sup>th</sup> of the month. However, if the PE is available for use after the 15<sup>th</sup> of the month, depreciation is for the succeeding month.

#### **Depreciation method**

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

#### **Estimated useful life**

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

#### **Residual value**

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

#### **Impairment**

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

#### **Derecognition**

TIEZA derecognizes items of PE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

### **3.9 Leases**

#### **TIEZA as a Lessee**

##### **Operating Lease**

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

#### **TIEZA as a Lessor**

##### **Operating Lease**

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

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

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

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

### **3.10 Provisions**

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

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

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

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

#### **Contingent Liabilities**

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

#### **Contingent Assets**

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

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



### **3.11 Change in Accounting Policies and Estimates**

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

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

TIEZA corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

The increase in capitalization threshold from P15,000 to P50,000 of Property and Equipment shall be considered as change in accounting policy and shall be applied retrospectively (COA Circular No. 2022-004 dated May 31, 2022).

### **3.12 Foreign Currency Transactions**

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

At each reporting date:

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

### **3.13 Revenue from Non-exchange Transactions**

#### **Recognition and measurement of assets from non-exchange transactions**

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

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

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

#### **Recognition of revenue from non-exchange transactions**

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

As TIEZA satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

#### **Measurement of revenue from non-exchange transactions**

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

#### **Measurement of liabilities on initial recognition from non-exchange transactions**

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

#### **Taxes**

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

### **Fees and fines not related to taxes**

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

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

### **Gifts and donations**

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

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

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

### **Transfers**

TIEZA recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

### **Services in-kind**

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

### **Transfers from other government entities**

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

### **3.14 Revenue from Exchange Transactions**

#### **Measurement of Revenue**

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

#### **Rendering of Services**

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

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

#### **Dividends**

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

#### **Interest Income**

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

#### **Rental Income**

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

### **3.15 Budget Information**

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the Note 30 of this report.

### **3.16 Impairment of Non-Financial Assets**

#### **Impairment of cash-generating assets**

At each reporting date, TIEZA assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment

testing for an asset is required, TIEZA estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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

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

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

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

### **Impairment of non-cash-generating assets**

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

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

### **3.17 Service Concession Arrangements**

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

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

### **3.18 Employee Benefits**

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

TIEZA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

### **3.19 Income Tax**

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

#### **Current Tax**

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

#### **Deferred Tax**

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

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

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

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

### **Current and Deferred Tax for the Year**

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

### **3.20 Measurement Uncertainty**

The preparation of financial statements in conformity with IPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, estimated employee benefits, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

## **4. CASH AND CASH EQUIVALENTS**

	<b>2022</b>	2021
Cash on Hand	<b>31,196,826</b>	10,660,551
Cash in Bank - Local Currency	<b>831,576,439</b>	375,091,246
Cash in Bank - Foreign Currency	<b>481,530</b>	206,136
Cash Equivalents - Time Deposit	<b>751,137,500</b>	700,000,000
	<b>1,614,392,295</b>	1,085,957,933

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

*Cash in Bank - Foreign Currency* includes dollar savings deposit amounting to \$8,636 and \$4,042 as at December 31, 2022 and 2021, respectively, which were translated at bank closing rate of P55.755 and P50.999, respectively.

*Cash Equivalents - Time Deposit* represents placement of funds for 90 days with interest ranging from 2.500 per cent to 4.500 per cent allocated for infrastructure projects.

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

## 5. INVESTMENTS

### 5.1 Current Investments

*Investment in Bonds* represents placements amounting to P160 million acquired in CY 2013 and P350 million acquired in CY 2017 that will mature on August 15, 2023 and December 4, 2022, respectively.

### 5.2 Financial Assets - Held to Maturity

	2022	2021
Investment in Bonds - Local	242,241,600	402,241,600
Other Investment and Marketable Securities	10,036,405	10,036,405
	<b>252,278,005</b>	<b>412,278,005</b>

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

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

	2022	2021
Leyte Park Hotel	86,989,838	86,989,838
Rafols Hotel Corporation	43,000,000	43,000,000
Balesin Resort Development Corporation	20,000,000	20,000,000
Argao Development Corporation	19,700,000	19,700,000
Gulf Resorts Club, Inc.	11,250,000	11,250,000
Marbella Club, Inc.	10,000,000	10,000,000
Duty Free Philippines	8,235,065	8,235,065
Manila Electric Company	865,790	865,790
Baguio Country Club	752,000	752,000
Wack-Wack Golf and Country Club	150,000	150,000



	2022	2021
Philippine Long Distance Telephone Company	33,550	33,550
	200,976,243	200,976,243
Allowance for Probable Losses	(190,939,838)	(190,939,838)
	10,036,405	10,036,405

## 6. RECEIVABLES

This account consists of the following:

	2022		2021	
	Current	Non-Current	Current	Non-Current
Accounts Receivable	264,449,456	9,974,516	111,448,403	10,740,091
Allowance for Impairment loss	(64,440,257)	(8,780,198)	(54,315,706)	(7,689,770)
Net Value	200,009,199	1,194,318	57,132,697	3,050,321
Loans Receivable - Others	0	146,858,697	0	146,858,697
Allowance for Impairment loss	0	(146,858,697)	0	(146,858,697)
Net Value	0	0	0	0
Inter-Agency Receivables, net	0	379,508,599	0	434,280,279
Interest Receivable, net	5,151,627	0	4,872,010	0
Other Receivables, net	171,586	181,298,653	319,416	181,885,469
	205,332,412	562,001,570	62,324,123	619,216,069

*Accounts Receivable* includes travel taxes collected by airlines which are due for remittance to TIEZA, accrued service and business income to China Oceanis PTE., LTD., and the P14.781 million receivables from former TIEZA entities that have been turned over to the Local Government Units (LGUs). These accounts have been requested for authority to write off with the Commission on Audit (COA). However, with the issuance of COA Circular No. 2016-015 and COA Resolution No. 2016-022 both dated December 19, 2016, the Authority's request for write-off was returned to their office to comply with the threshold on filing of request for write-off.

*Loans Receivable - Others* pertains to the receivable from Marbella Club, Inc. with principal amount of P62.596 million since May 8, 1992 and the interest of P84.262 million computed from October 3, 2002 to May 1, 2005, for a total of P146.859 million, which is fully impaired due to the dormancy of the account.

*Interest Receivable* pertains to interest earned from short-term investments but not yet credited by the bank and the accrued interest in the amount of P3.823 million on the loan contract entered into by and between the Philippine Tourism Authority (PTA), now TIEZA, and Metro Cebu Water District (MCWD), net of allowance for impairment amounting to P3.822 million for both CYs 2022 and 2021.

## 6.1 Inter-Agency Receivables

	2022	2021
Due from LGUs	<b>120,209,219</b>	169,073,063
Allowance for Impairment	<b>(71,193,212)</b>	(66,251,404)
Net Value	<b>49,016,007</b>	102,821,659
Due from NGAs	<b>500,462,381</b>	464,027,726
Allowance for Impairment	<b>(171,404,621)</b>	(135,308,227)
Net Value	<b>329,057,760</b>	328,719,499
Due from GCs	<b>106,274,781</b>	109,270,432
Allowance for Impairment	<b>(106,178,141)</b>	(108,725,373)
Net Value	<b>96,640</b>	545,059
Due from Subsidiaries/Joint Ventures/Associates/Affiliat	<b>48,980,155</b>	48,980,155
Allowance for Impairment	<b>(47,641,963)</b>	(46,786,093)
Net Value	<b>1,338,192</b>	2,194,062
	<b>379,508,599</b>	434,280,279

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

*Due from Government Corporations (GCs)* substantially pertains to the amount of P26.410 million set up as receivable from DBP for the case filed by TIEZA against Global-V Builders (CA GR No. 115346). The amount pertains to TIEZA's funds deposited with DBP which were garnished for the account of Global-V Builders as a result of the judgment rendered by the Construction Industry Arbitrary Commission (CIAC) in favor of Global-V Builders in the collection case filed by the latter against TIEZA. A petition for review of the CIAC decision was filed by TIEZA with the Court of Appeals (CA). TIEZA, through the Office of the Solicitor General (OSG), filed a Petition for Certiorari under Rule 65 of the Rules of Court with prayer for the issuance of a Temporary Restraining Order and Writ of Preliminary Injunction dated June 19, 2020. TIEZA, through the OSG, filed a Manifestation dated July 10, 2020. A Resolution dated July 14, 2020 of the CA, Manila (Special Third Division) was issued directing the petitioner to rectify the defects in the petition by submitting certain documents. Also, this account includes receivable from LBP in the amount of P21.868 million representing the amount paid to Philippine Golf Development and Equipment, Inc. to serve the Notice of Garnishment issued by RTC Muntinlupa City Branch 203. This account also includes the amount of P56.678 million loan balance including interest for the construction of Mactan Cebu International Airport passenger terminal building from 1993 to 2008.

## 6.2 Other Receivables

	2022		2021	
	Current	Non-Current	Current	Non-Current
Disallowances/Charges	0	180,758,874	0	180,964,394
Due from Officers and Employees	218,661	0	429,512	0
Allowance for Impairment Loss	(47,075)	0	(110,096)	0
Net Value	171,586	0	319,416	0
Due from NGOs/POs	0	21,770,235	0	21,770,235
Allowance for Impairment	0	(21,530,235)	0	(21,530,235)
Net Value	0	240,000	0	240,000
Other Receivables	0	76,160,674	0	78,148,355
Allowance for Impairment	0	(75,860,895)	0	(77,467,280)
Net Value	0	299,779	0	681,075
	171,586	181,298,653	319,416	181,885,469

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

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

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

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

## 7. INVENTORIES

	2022	2021
Merchandise Inventory	2,361,898	1,389,275
Other Supplies Inventory	14,387,662	16,237,840
	16,749,560	17,627,115

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

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

## 8. OTHER ASSETS

	2022		2021	
	Current	Non-Current	Current	Non-Current
Prepayments	84,098,002	80,575,083	114,828,740	99,077,922
Advances	1,065,362	0	676,758	0
Deposits	0	42,754,679	0	42,841,679
Other Assets	0	5,507,776	0	2,065,900
	85,163,364	128,837,538	115,505,498	143,985,501

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

*Deposits* represents guarantee deposits and advance payments to various lessors and rental deposits made for the use of public utilities. This account includes deposits paid to DD Meridian Park Development Corp., the lessor of the new office of TIEZA amounting to P20.6 million equivalent to the last three months' basic rent for the last year of the lease term. This will answer and stand as security for the proper and due performance of all the Lessee's obligations under the contract and shall be returned without interest, within two months from the date the Lessee has completely and

satisfactory vacated and delivered the Leased Premises to the Lessor after the expiration of the Contract.

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

## 9. INVESTMENT IN ASSOCIATE

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

	2022	2021
Carrying value, January 1	219,017,725	207,628,805
Addition in Capital Stock	50,000,000	46,000,000
Share in Loss	(21,178,276)	(34,611,080)
	247,839,449	219,017,725

In 2021, pending approval of the Securities and Exchange Commission (SEC) for the intended increased capitalization of BIWCI, TIEZA committed to subscribe for 960,000 redeemable preferred shares at P100 per share, amounting to P96 million. The committed subscription is equivalent to 20 per cent ownership of TIEZA from the 4.800 million redeemable preference shares issued in 2020 and 2021.

In 2022, BIWCI issued additional 2.500 million redeemable preferred shares with a par value of P100 each to continue strengthening its equity base and financing its capital expenditures. To maintain its 20 per cent ownership, the TIEZA Board approved on May 30, 2023 the additional subscription of 500,000 redeemable preferred shares at P100 per share. The payment of the total committed subscription in the amount of 146 million, as agreed by both parties, will be from the future receivables of TIEZA from BIWCI, such as the five per cent share in Gross Revenue and one-peso Tourist Arrival Incentive, and dividends, if any (see Note 17).

## 10. INVESTMENT PROPERTY

This account consists of:

	2022	2021
Investment Property, Land	169,870,293	169,783,545
Investment Property, Building	136,080,454	143,548,466
	305,950,747	313,332,011

### *Reconciliation of Investment Property*

Beginning balance, at cost	460,206,239	460,206,239
Additions	86,748	0
Accumulated Depreciation	(154,342,240)	(146,874,228)
	305,950,747	313,332,011

	<b>2022</b>	2021
Rental Revenue from Investment Property	<b>21,631,012</b>	22,914,884
Direct Operating Expenses arising from Investment Property that generates Rental Revenue	<b>(1,932,884)</b>	(2,079,066)
	<b>19,698,128</b>	20,835,818

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

## 11. PROPERTY AND EQUIPMENT

This account consists of:

	Land	Land and Leased Asset Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Construction in Progress	Total
Carrying Amount, January 1, 2022	3,593,360,109	210,533,588	541,786,620	354,191,102	156,987,201	884,261,279	5,741,119,899
Additions/Acquisitions	0	0	167,607,351	3,464,369	68,778,047	417,935,500	657,785,267
Total	3,593,360,109	210,533,588	709,393,971	357,655,471	225,765,248	1,302,196,779	6,398,905,166
Disposals/Turned-Over to LGUs and NGAs	0	(620,327)	(142,342,626)	(16,197,777)	(7,208,388)	0	(166,369,118)
Depreciation	0	(30,689,382)	0	(17,990,400)	(24,630,271)	0	(73,310,053)
Impairment Loss	0	(7,300,353)	0	(12,453,521)	0	0	(19,753,874)
Reclassifications/ Adjustments	0	(491,422)	0	59,429,874	(10,126,061)	(224,104,721)	(175,292,330)
Carrying Amount, December 31, 2022	3,593,360,109	171,432,104	567,051,345	370,443,647	183,800,528	1,078,092,058	5,964,179,791
Gross Cost	3,593,360,109	661,964,470	541,786,620	977,621,271	428,576,620	884,261,279	7,087,570,369
Additions	0	0	167,607,351	3,464,369	68,778,047	417,935,500	657,785,267
Disposals - Cost	0	(5,556,193)	(142,342,626)	(16,197,777)	(22,836,252)	0	(186,932,848)
Reclassifications - Cost	0	(389,522)	0	46,483,146	(27,149,634)	(224,104,721)	(205,160,731)
Accumulated Depreciation	0	(470,205,354)	0	(623,767,219)	(263,477,130)	0	(1,357,449,703)
Accumulated Impairment Loss	0	(14,381,297)	0	(17,160,143)	(91,123)	0	(31,632,563)
Carrying Amount, December 31, 2022	3,593,360,109	171,432,104	567,051,345	370,443,647	183,800,528	1,078,092,058	5,964,179,791

	Land	Land and Leased Asset Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Construction in Progress	Total
Carrying Amount, January 1, 2021	3,593,360,109	248,263,761	554,733,978	350,283,319	185,587,118	796,146,858	5,728,375,143
Additions/Acquisitions	0	2,426,230	24,647,242	42,909,815	26,020,403	302,017,670	398,021,360
Total	3,593,360,109	250,689,991	579,381,220	393,193,134	211,607,521	1,098,164,528	6,126,396,503
Disposals/Turned-Over to LGUs and NGAs	0	0	(37,594,600)	0	0	0	(37,594,600)
Depreciation	0	(31,067,763)	0	(18,111,917)	(25,701,948)	0	(74,881,628)
Impairment Loss	0	(5,774,886)	0	(4,253,883)	0	0	(10,028,769)
Reclassifications/ Adjustments	0	(3,313,754)	0	(16,636,232)	(28,918,372)	(213,903,249)	(262,771,607)
Carrying Amount, December 31, 2021, as restated	3,593,360,109	210,533,588	541,786,620	354,191,102	156,987,201	884,261,279	5,741,119,899
Gross Cost	3,593,360,109	813,156,089	554,733,978	1,017,122,621	461,328,747	796,146,858	7,235,848,402
Additions	0	2,426,230	24,647,242	42,909,815	26,020,403	302,017,670	398,021,360
Disposals - Cost	0	0	(37,594,600)	0	0	0	(37,594,600)
Reclassifications - Cost	0	(153,617,849)	0	(82,411,165)	(58,772,531)	(213,903,249)	(508,704,794)
Accumulated Depreciation	0	(444,349,938)	0	(618,723,547)	(271,488,582)	0	(1,334,562,067)
Accumulated Impairment Loss	0	(7,080,944)	0	(4,706,622)	(100,836)	0	(11,888,402)
Carrying Amount, December 31, 2021, as restated	3,593,360,109	210,533,588	541,786,620	354,191,102	156,987,201	884,261,279	5,741,119,899



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

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

*Construction-in-Progress* consists of infrastructure projects implemented by the Authority for various proponents pertaining to land improvement, infrastructure assets and building and other structures. These projects are to be turned over to concerned LGUs after completion. The account mainly includes the amount of P703.207 million pertaining to the Boracay Water Drainage Improvement Project.

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## **12. SERVICE CONCESSION ASSETS**

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

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

- a. Assume all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. Such liabilities are: principal amount, interest expenses, and guarantee fee of the Japan International Cooperation Agency (JICA) loan. The parties acknowledged that the servicing of such liabilities shall be applied to the Concession Fee.
- b. Pay TIEZA an amount equivalent to five per cent of the monthly gross revenue of the Concessionaire, inclusive of all applicable taxes which are for the account of the Concessionaire. Such payments shall be subject to adjustments based on the gross revenue of the Concessionaire as reflected in the annual audited financial statements.

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

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

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

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

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

The following are the details of Service Concession Assets:

	<b>Sewer and Water Supply System - TIEZA</b>	<b>Acquired and/or Developed – BIWCI</b>	<b>Total</b>
Gross Cost	<b>877,814,505</b>	<b>4,315,633,987</b>	<b>5,193,448,492</b>
Accumulated Depreciation	<b>(560,539,026)</b>	<b>(848,127,548)</b>	<b>(1,408,666,574)</b>
Carrying Amount, December 31, 2022	<b>317,275,479</b>	<b>3,467,506,439</b>	<b>3,784,781,918</b>

  

<b>(As Restated)</b>	<b>Sewer and Water Supply System - TIEZA</b>	<b>Acquired and/or Developed – BIWCI</b>	<b>Total</b>
Gross Cost	877,814,505	4,059,659,973	4,937,474,478
Accumulated Depreciation	(544,138,238)	(741,711,218)	(1,285,849,456)
Carrying Amount, December 31, 2021	333,676,267	3,317,948,755	3,651,625,022

TIEZA adopts the Concessionaire's amortization of their Service Concession Assets as the basis of estimates for the depreciation expense in the absence of necessary and detailed documents from the BIWCI that can serve as basis of TIEZA's computation for each concession asset item.

Sewer and Water Supply System pertains to assets owned by TIEZA operated by BIWCI under the SCA. The Acquired and/or Developed Concession Assets can be further broken down as follows:

## CY 2022

Particulars	Acquisition Cost	Accumulated Amortization	Total
<i>Water Facilities and Transmission Lines</i>			
House Service Connection	15,693,114	(10,686,440)	5,006,674
Water Meters	11,555,317	(8,770,264)	2,785,053
Water Treatment Plant	325,727,336	(53,226,803)	272,500,533
Transmission and Distribution Mains	524,417,464	(125,779,090)	398,638,374
<i>Used Water Facilities and Transmission Lines</i>			
House Service Connection	36,607	(25,036)	11,571
Sewer Treatment Plant	1,109,865,215	(126,432,895)	983,432,320
Transmission and Discharge Mains	470,457,207	(42,241,252)	428,215,955
Sewer Network Improvement	2,401,540	(700,102)	1,701,438
<i>General and Admin Building, Structure and Others</i>			
Building and Structures	40,016,121	(7,456,782)	32,559,339
Leasehold Improvements	2,142,459	(1,046,969)	1,095,490
BSI-Others	133,565,715	(43,976,998)	89,588,717
<i>Concession Fees and Obligations</i>	822,663,302	(427,784,917)	394,878,385
<i>Construction in Progress</i>	857,092,590	0	857,092,590
	4,315,633,987	(848,127,548)	3,467,506,439

Based on December 31, 2022 audited financial statements of BIWCI

## CY 2021

Particulars	Acquisition Cost	Accumulated Amortization	Total
<i>Water Facilities and Transmission Lines</i>			
House Service Connection	15,693,114	(10,525,762)	5,167,352
Water Meters	11,555,317	(8,774,276)	2,781,041
Water Treatment Plant	291,546,106	(44,196,501)	247,349,605
Transmission and Distribution Mains	507,413,876	(111,049,075)	396,364,801
<i>Used Water Facilities and Transmission Lines</i>			
House Service Connection	36,607	(24,637)	11,970
Sewer Treatment Plant	1,104,884,571	(95,175,200)	1,009,709,371
Transmission and Discharge Mains	456,140,192	(28,882,505)	427,257,687
Sewer Network Improvement	2,401,540	(645,836)	1,755,704
<i>General and Admin Building, Structure and Others</i>			
Building and Structures	39,377,544	(6,236,393)	33,141,151
Leasehold Improvements	2,142,459	(964,831)	1,177,628
BSI-Others	131,967,971	(40,447,972)	91,519,999
<i>Concession Fees and Obligations</i>	822,663,302	(394,788,230)	427,875,072
<i>Construction in Progress</i>	673,837,374	0	673,837,374
	4,059,659,973	(741,711,218)	3,317,948,755

Based on December 31, 2021 audited financial statements of BIWCI

### 13. FINANCIAL LIABILITIES

	2022		2021	
	Current	Non-Current	Current	Non-Current
Accounts Payable	152,528,430	0	164,403,485	0
Due to Officers and Employees	45,889,736	0	31,087,292	0
Interest Payable	737,851	0	1,022,704	0
	199,156,017	0	196,513,481	0
Loans Payable - Foreign	28,093,285	56,186,569	29,204,204	87,612,613
	227,249,302	56,186,569	225,717,685	87,612,613

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

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

*Loans Payable - Foreign* represents the balance of loan from JICA under Loan Agreement No. PH-P156 dated August 30, 1995. This loan was used to finance the Boracay Environmental Infrastructure Project under the Philippine Tourism Master Plan.

### 14. INTER-AGENCY PAYABLES

	2022	2021
Due to NGAs	579,256,089	183,516,593
Due to BIR	16,866,374	9,661,228
Due to GSIS	7,491,419	1,815,784
Due to PhilHealth	897,291	616,422
Due to Pag-IBIG	469,484	445,423
Due to GCs	275,708	264,004
Due to LGUs	111,771	111,771
Due to SSS	62,353	71,238
	605,430,489	196,502,463

*Due to National Government Agencies (NGAs)* includes the shares on travel tax collections of Commission on Higher Education of 40 per cent and the National Commission for Culture and the Arts of 10 per cent for remittance to the Bureau of the Treasury for the account of these agencies (see Note 1). This account includes the amount of P84 million funded by the NG which was received for the implementation of various infrastructure projects and the P64.160 million fund transfer from the Department of Transportation as allocation for the Expansion of Active and Public Transportation in Intramuros, Manila. It also includes the amount due for remittance to other NGAs e.g., National Parks Development Committee, Intramuros Administration, Procurement Service, Office of Government Counsel, and Department of Tourism.

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

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

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

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

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

## 15. DEFERRED CREDITS/UNEARNED INCOME

	2022		2021 (As Restated)	
	Current	Non-Current	Current	Non-Current
Deferred Credits	0	3,467,506,439	0	3,317,948,755
Unearned Income	6,713,231	18,311,246	5,261,178	18,615,446
	<b>6,713,231</b>	<b>3,485,817,685</b>	5,261,178	3,336,564,201

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

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

	2022	2021
China Oceanis PTE, Ltd.	10,187,500	10,187,500
TIEZA Entities	6,497,231	5,045,178
Ekran Berhad	4,554,000	4,770,000
Petron Corporation	2,050,670	2,050,670
Marcosa S. Herzenstiel	853,185	853,185
Iloilo Convention Center	595,680	683,880
Rosalina Luz Labota-Clubhouse	250,000	250,000
Boracay Waterworks and Sewerage System	36,211	36,211
	<b>25,024,477</b>	23,876,624

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## 16. PROVISIONS

This account consists of Leave Benefits Payable that represents accrual of money value of earned leave credits of TIEZA Regular Employees amounting to P111.151 million and P100.461 million as of December 31, 2022 and 2021, respectively.

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## 17. OTHER PAYABLES

TIEZA has payables not classified as financial liabilities to entities pertaining to employees' contributions to TIEZA Employees Association, Employees Cooperative of the Philippine Tourism Authority and TIEZA Employees Welfare Fund. This also includes Collective Negotiation Agreement incentives and other compensation due to TIEZA employees amounting to P30.205 million and P25.895 million for CYs 2022 and 2021, respectively. The account also includes P111.860 million and P83.797 million as of December 31, 2022 and 2021, respectively, payable to BIWCI representing the unpaid portion for the subscription of 1,460,000 preferred shares at P100 (see Note 9). This amount will decrease upon receipt of the Authority's future receivables or dividends from BIWCI as stated under Section 1.02 of the Stock Subscription Agreement.

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## 18. TRUST LIABILITIES

	2022	2021
Guaranty/Security Deposits Payable	125,489,951	109,755,112
Trust Liabilities	48,482,978	21,441,318
	<b>173,972,929</b>	<b>131,196,430</b>

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

*Trust Liabilities* represents amounts paid by the BIWCI for the annual operating budget of TIEZA Regulatory Office from 2010 to 2021 after the transfer of P150 million on September 14, 2020 as partial turn-over of their accounts.

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## 19. TAX REVENUE

	2022	2021
Net Travel Tax Collection	2,490,082,500	332,399,090
CHED	(996,033,000)	(132,959,636)
NCCA	(249,008,250)	(33,239,909)
TIEZA	<b>1,245,041,250</b>	<b>166,199,545</b>

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

	2022	2021
Total Travel Tax Collection	<b>2,381,196,150</b>	359,740,680
Accrual, Beginning	<b>(5,091,660)</b>	(4,328,490)
Refunds	<b>(47,010,960)</b>	(28,145,830)
Adjustments	<b>12,840</b>	41,070
Accrual, End	<b>160,976,130</b>	5,091,660
Net Travel Tax Collection	<b>2,490,082,500</b>	332,399,090

## 20. SERVICE AND BUSINESS INCOME

	2022	2021 (As Restated)
<i>Service Income</i>		
Registration Fees	<b>209,027</b>	14,070
<i>Business Income</i>		
Service Concession Revenue	<b>55,237,773</b>	44,460,208
Rent Income	<b>52,631,982</b>	44,417,169
Interest Income	<b>36,427,757</b>	56,201,073
Sales Revenue	<b>33,079,545</b>	8,306,588
Income from Hostels	<b>10,947,298</b>	1,364,502
Fines and Penalties	<b>84,479</b>	198,990
Other Business Income	<b>57,741,703</b>	24,867,427
	<b>246,150,537</b>	179,815,957
	<b>246,359,564</b>	179,830,027

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

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

	2022	2021
Within one year	<b>32,979,340</b>	30,982,317
After one year but not more than five years	<b>172,161,443</b>	168,665,581
More than five years	<b>143,706,790</b>	154,369,695

The total rental from these operating leases amounted to P31.337 million and P30.869 million in 2022 and 2021, respectively.

## 21. SHARES, GRANTS AND DONATIONS

*Grants and Donations* pertains to the donated land situated at Taguanal, Indahag, Cagayan de Oro covered by Transfer Certificates of Title No. T-197189 and T-195706.

## 22. PERSONNEL SERVICES

### Personnel Services

	2022	2021
Salaries and Wages	254,139,231	235,497,170
Other Compensation	113,784,408	91,785,034
Personnel Benefits Contributions	62,974,123	64,968,751
Other Personnel Benefits	55,074,181	24,396,658
	485,971,943	416,647,613

### 22.1 Other Compensation

	2022	2021
Year End Bonus	21,406,031	21,907,846
Mid-year Bonus	21,108,961	19,064,487
Other Bonuses and Allowances	32,707,720	18,875,877
Overtime and Night Pay	12,679,673	674,569
Personnel Economic Relief Allowance (PERA)	11,196,930	11,598,645
Representation Allowance	3,580,875	3,718,875
Clothing/Uniform Allowance	2,823,893	2,832,000
Cash Gift	2,344,000	2,452,000
Productivity Incentive Allowance	2,240,500	2,249,000
Transportation Allowance	1,652,125	1,669,750
Honoraria	1,075,700	2,986,985
Directors and Committee Members' Fees	624,000	510,000
Longevity Pay	340,000	552,000
Hazard Pay	4,000	2,693,000
	113,784,408	91,785,034

### 22.2 Personnel Benefits Contributions

	2022	2021
Retirement and Life Insurance Premiums	31,303,945	28,433,051



	2022	2021
Provident/Welfare Fund	25,756,205	32,217,432
PhilHealth Contributions	4,790,673	3,153,268
Employees Compensation Insurance Premiums	563,300	582,200
Pag-IBIG Contributions	560,000	582,800
	62,974,123	64,968,751

### 22.3 Other Personnel Benefits

	2022	2021
Terminal Leave Benefits	31,184,986	23,491,658
Other Personnel Benefits	22,666,861	360,000
Retirement Incentive	1,222,334	545,000
	55,074,181	24,396,658

In 2022, the Authority granted the Corporate Achievement Award in recognition of the achievement of the Authority for continuously improving its Quality Management System per approved amended Program on Awards and Incentives for Service Excellence (PRAISE).

## 23. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

	2022	2021 (As Restated)
Professional Services	186,095,221	122,858,196
Supplies and Materials Expenses	46,670,218	22,697,300
General Services	36,152,998	30,622,316
Travelling Expenses	33,405,865	9,318,510
Utility Expenses	22,643,906	14,079,853
Taxes, Insurance Premiums and Other Fees	15,715,089	15,960,654
Training and Scholarship Expenses	13,345,429	4,700,513
Communication Expenses	7,853,989	9,608,178
Repairs and Maintenance	7,493,564	6,677,219
Confidential, Intelligence and Extraordinary Expenses	467,203	269,408
Other Maintenance and Operating Expenses	241,751,648	204,914,771
	611,595,130	441,706,918

**23.1 Professional Services**

	2022	2021
Consultancy Services	48,886,968	6,002,273
Auditing Services	24,405,191	24,840,606
Legal Services	1,679,500	936,200
Other Professional Services	111,123,562	91,079,117
	<b>186,095,221</b>	<b>122,858,196</b>

**23.2 Supplies and Materials Expenses**

	2022	2021 (As Restated)
Office Supplies Expenses	14,533,979	9,562,823
Accountable Forms Expenses	8,292,307	1,066,638
Fuel, Oil and Lubricants Expenses	6,472,068	3,463,783
Semi-Expendable Furniture, Fixtures and Books Expense	4,143,914	500,693
Semi-Expendable Machinery and Equipment Expense	3,306,565	3,913,442
Drugs and Medicines Expenses	1,846,172	423,932
Medical, Dental and Laboratory Supplies Expense	45,323	20,140
Other Supplies and Materials	8,029,890	3,745,849
	<b>46,670,218</b>	<b>22,697,300</b>

The increase in Accountable Forms Expenses pertains to the increase in collection of Travel Tax for 2022 as travel restrictions eases.

**23.3 General Services**

	2022	2021
Security Services	33,108,975	27,701,375
Janitorial Services	3,044,023	2,920,941
	<b>36,152,998</b>	<b>30,622,316</b>

**23.4 Travelling Expenses**

	2022	2021
Traveling Expenses - Local	32,576,663	9,318,510
Traveling Expenses - Foreign	829,202	0
	<b>33,405,865</b>	<b>9,318,510</b>

### 23.5 Utility Expenses

	2022	2021
Electricity Expenses	18,730,267	11,868,382
Water Expenses	2,726,699	1,918,401
Gas/Heating Expenses	1,186,940	293,070
	<b>22,643,906</b>	14,079,853

### 23.6 Taxes, Insurance Premiums and Other Fees

	2022	2021
Taxes, Duties and Licenses	9,961,363	12,515,195
Insurance Expenses	4,726,316	2,445,869
Fidelity Bond Premiums	1,027,410	999,590
	<b>15,715,089</b>	15,960,654

### 23.7 Training and Scholarship Expenses

	2022	2021
Training Expenses	10,800,582	4,700,513
Scholarships Grants/Expenses	2,544,847	0
	<b>13,345,429</b>	4,700,513

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

*Scholarship Expenses* pertains to the payment for partnership of the Authority with the University of the Philippines – Los Baños to conduct an off-campus degree program in Masters in Development Management and Governance starting Academic Year 2021-2022 for qualified TIEZA personnel.

### 23.8 Communication Expenses

	2022	2021
Telephone Expenses	4,137,383	4,741,330
Internet Subscription Expenses	3,175,433	4,438,191
Postage and Courier Services	532,173	414,135
Cable, Satellite, Telegraph and Radio Expenses	9,000	14,522
	<b>7,853,989</b>	9,608,178

### 23.9 Repairs and Maintenance

	2022	2021
Machinery and Equipment	2,591,222	1,713,474
Transportation Equipment	2,369,251	2,285,807
Buildings and Other Structures	1,747,702	2,356,386
Land Improvements	390,655	145,637
Leased Assets Improvements	222,840	27,000
Furniture and Fixtures	171,894	148,915
	<b>7,493,564</b>	<b>6,677,219</b>

### 23.10 Other Maintenance and Operating Expenses

	2022	2021
Rent/Lease Expenses	115,954,395	113,225,685
Advertising Expenses	39,192,890	15,698,009
Representation Expenses	11,739,086	4,457,257
Donations	1,751,252	0
Membership Dues and Contributions to Organizations	427,748	513,812
Transportation and Delivery Expenses	170,365	102,281
Subscription Expenses	41,096	7,544
Other Maintenance and Operating Expenses	72,474,816	70,910,183
	<b>241,751,648</b>	<b>204,914,771</b>

*Rent/Lease Expenses* includes expenses for the lease of a privately-owned building to house the new office of TIEZA. The TIEZA Board, per Resolution No. IV-C-1-31-01-13, authorized the TIEZA Chief Operating Officer to undertake the necessary procedures for the lease of a privately-owned real estate to meet the requirements of the Authority for a new office space. A Contract of Lease was then entered into by TIEZA and DD – Meridian Park Development Corp., for the lease of 6<sup>th</sup> and 7<sup>th</sup> Floors of Tower 1, Double Dragon Plaza located at EDSA corner Macapagal Avenue, Pasay City for a period of five years from March 1, 2018 to February 28, 2023, with renewal for another three years from March 1, 2023 to February 28, 2026 per Renewal to the Contract of Lease dated February 21, 2023.

TIEZA is the lessee under non-cancellable operating lease agreement with DDMP REIT, Inc. (formerly DD – Meridian Park Development Corp.) The lease has a renewed term of three years, with renewal options, and include annual escalation rate of five per cent annually.

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

	2022	2021
Within one year	84,447,711	95,212,266
After one year but not more than three years	475,504,360	15,995,657
	<b>559,952,071</b>	111,207,923

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

*Other Maintenance and Operating Expenses* pertains to other miscellaneous operating expenses. This also includes payments made to DD Meridian Park Development Corp. for the Common Usage Service Area as indicated in the Lease Agreement dated October 24, 2017. This account also includes expenses for Staff Development Program that were incurred for various activities e.g., sports fest, National Women's Month celebration, TIEZA anniversary (mid-year employees' assembly), National Nutrition Month and the like.

## 24. FINANCIAL EXPENSES

This account consists of:

	2022	2021
Interest Expenses	2,323,841	3,133,894
Guarantee Fees	940,673	1,187,442
Bank Charges	187,461	163,955
Other Financial Charges	275,014	52,572
	<b>3,726,989</b>	4,537,863

## 25. DIRECT COSTS

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

	2022	2021
Beginning Inventory	1,021,458	1,496,967
Add: Purchases	15,980,670	4,055,332
Goods Available for Sale	17,002,128	5,552,299
Less: Ending Inventory	2,361,898	1,021,458
	<b>14,640,230</b>	4,530,841

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**26. NON-CASH EXPENSES**

	2022	2021 (As Restated)
Depreciation:		
Land and Leased Assets Improvements	30,689,382	31,067,763
Machinery and Equipment	24,630,271	25,701,948
Buildings and Other Structures	17,990,400	18,111,917
Service Concession Assets	16,400,788	17,592,860
Investment Property	7,468,012	7,468,012
	97,178,853	99,942,500
Impairment Loss:		
Loans and Receivables	53,543,273	84,655,951
Property and Equipment	19,753,874	10,028,769
	73,297,147	94,684,720
	170,476,000	194,627,220

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**27. NON-OPERATING INCOME, GAINS OR LOSSES****27.1 Non-Operating Income/Gains**

	2022	2021
Gain on Foreign Exchange	5,299,968	8,639,799
Miscellaneous Income	2,633,011	613,308
	7,932,979	9,253,107

**27.2 Non-Operating Losses**

	2022	2021
Loss on Foreign Exchange	2,001,613	2,303,109
Loss on Sale of Assets	1,127,150	20,805,435
Loss of Assets	6,464,127	0
Share in the Loss of Associates (As disclosed in Note 9)	21,178,276	34,611,081
	30,771,166	57,719,625

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**28. NET FINANCIAL ASSISTANCE**

*Subsidy from National Government* pertains to the subsidy received from the National Government to aid the operations of the Authority for CY 2022.

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

	2022	2021
Subsidy from National Government	117,115,620	0
Less:		
Financial Assistance to LGUs	174,104,274	102,694,878
Financial Assistance to NGAs	143,710,315	86,050,701
Financial Assistance to GCs	3,000,000	0
Financial Assistance - Others	498,989	775,290
Total Financial Assistance	321,313,578	189,520,869
Net Financial Assistance	(204,197,958)	(189,520,869)

## 29. RECONCILIATION FROM NET LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2022	2021
<b>Net Loss</b>	<b>(22,095,484)</b>	<b>(954,082,292)</b>
Adjustments to reconcile Net Loss to Net Cash from Operating Activities:		
Losses	30,771,166	57,719,625
Gains	(5,299,968)	(8,639,799)
Non-Cash Expenses	170,476,000	194,627,220
Prior years expenses disbursed this year	(80,000)	(195,731)
Prior years income received this year	0	3,931,524
Turned over projects by contracts	83,658,929	32,681,490
Decrease/(Increase) in Current Assets:		
Receivables	(143,008,289)	(14,164,628)
Inventories	877,555	(3,461,695)
Other Current Assets	(6,077,336)	(1,477,855)
Decrease/(Increase) in Non-Current Assets:		
Receivables	57,214,499	(156,620,414)
Other Non-Current Assets	15,147,963	(8,636,640)
Increase/(Decrease) in Current Liabilities:		
Financial Liabilities	2,642,536	(4,569,487)
Inter-Agency Payables	408,928,026	33,138,458
Deferred Credits	1,452,053	(1,324,076)
Provisions	10,690,014	3,705,615
Other Payables	4,310,174	(2,618,486)
Increase/(Decrease) in Non-Current Liabilities:		
Trust Liabilities	42,776,499	5,684,120
Deferred Credits	(304,200)	(566,000)
Other Payables	28,063,468	(9,471,821)
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>680,143,605</b>	<b>(834,340,872)</b>

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

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
<b>Per Statement of Comparison of Budget and Actual Amounts</b>	2,574,425,120	483,397,514	565,722,582	3,359,395	623,672,734
<b>Entity Differences:</b>					
TIEZA Regulatory Office	(20,003,806)	(10,332,701)	(8,954,051)		
Cost of Sales - Subsidiary Entities	14,640,230				
Cost of Sales - Subsidiary Entities (Input Tax)	1,756,828				
Semi-expendables expenses			4,241,852		
<b>Basis Differences:</b>					
Corporate Fund - Available Cash allotted to augment the COB	(968,334,380)				
Subsidy from National Government	(117,115,620)				
Collection - Payment of Access Card			(2,700)		
Difference in obligated and actual Interest Expense for JICA Loan	2,889			2,889	
Difference in collection from BIWC and Payment for JICA	32,216				
Taxes withheld on Interest Income	1,124,136		1,124,136		
Other Prepaid Expenses	66,150		(186,264)		
Over amortization of Deferred Credits	(63,000)				
PIMC Income	(189,147)				
DOLE Rental Income	401,786				
Income Tax Expense/(Benefit)			(136,609)		
Charged to Assets	86,748	14,207,817	4,616,915		
Charged to Personnel Services			(279,366)		
Charged to MOOE		485,647	2,011,109		
Loss/Gain on Foreign Revaluation	5,278,066				
Adjustment on recording of Responsibility Center			(1,317)		
Over-recording of obligation and expense			752,203		
Service Concession Revenue	678,446				
Financial Expenses Charged to MOOE			(364,705)	364,705	
Donations of Land and Equipment			1,751,252		
Equipment Outlay Budget			69,789		



	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Infra Projects Budget - Prior years			47,008,160		
<b>Timing Differences:</b>					
Budget Reappropriation 2022		(1,827,018)	(16,143,639)		
Interest Receivable on RTB	30,807,023				
Interest Income on RTB	(24,366,001)				
Budget Reapp		40,684	6,925,512		
Prior Years' Adjustment			(209,564)		
Amortization of Prepaid Rent	192,857		3,649,835		
<b>Expenses not considered as budgetary items:</b>					
Capital Expenditures					(623,672,734)
<b>Per Statement of Financial Performance</b>	<b>1,499,420,541</b>	<b>485,971,943</b>	<b>611,595,130</b>	<b>3,726,989</b>	<b>0</b>

The 2022 Corporate Operating Budget (COB) was approved by the TIEZA Board of Directors per Resolution Nos. R-22-02-21-A dated March 25, 2022, R-26-04-22-A dated May 16, 2022 and R-24-11-21-D dated December 15, 2021 and approved by the Department of Budget and Management on August 2, 2022.

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## 31. EQUITY

### Share Capital

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

### Accumulated Surplus Adjustments

Adjustments in Accumulated Surplus in 2022 are as follows:

Dormant Payable for two years	2,810,293
Previous years recording of expenses and income	171,046
Adjustments for prepayments	(53,493)
Adjustments on Property and Equipment	(893,905)
	2,033,941

Adjustments in Accumulated Surplus in 2021 are as follows:

Dormant Payable for two years	388,482
Previous years recording of expenses	307,329
Previous years recording of income	3,704,826
Entities' Adjustments	1,579,475
Adjustments on Property and Equipment	(24,330,949)
	(18,350,837)

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## 32. RELATED PARTY TRANSACTIONS

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

Name of Controlled Entity	Equity Interest	
	2022	2021
1. Balicasag Island Dive Resort	100%	100%
2. Banaue Hotel and Youth Hostel	100%	100%
3. Club Intramuros Golf Course	100%	100%
4. Gardens of Malasag Eco-Tourism Village	100%	100%
5. Mount Data Hotel	100%	-
6. Zamboanga Complex	100%	100%

### 32.1 Key Management Personnel

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

Administrative and Finance, Architectural and Engineering Services, Asset Management, and Tourism Enterprise Zone.

### 32.2 Key Management Personnel Compensation

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

	2022
Salaries and Wages	34,959,635
Other Compensation	14,939,960
Personnel Benefit Contributions	3,495,964
Other Personnel Benefits	4,954,349
	58,349,908

## 33. CIVIL CASES

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

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

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

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

Petition for Review on Certiorari of the Decision of the Sandiganbayan, 1<sup>st</sup> Division dated April 21, 2014 was now in Civil Case No. SB-10 CVL-001.

In a Resolution dated August 18, 2014, the SC 2<sup>nd</sup> Division ordered the consolidation of the two cases. The Republic of the Philippines, PCGG and PTA filed their Consolidated Comment on December 15, 2014 pursuant to the

Resolution issued by the SC dated November 24, 2014. The Estate of Ferdinand E. Marcos filed a Consolidated Reply dated July 6, 2015.

### **33.2 Estate of Ferdinand Marcos vs. PTA, et al. PTA/PCGG vs. Estate**

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

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

Petition for Review on Certiorari of the Decision and Resolution of the CA dated September 26, 2013 and May 20, 2014, respectively, was now in CA GR. SP No. 125766.

In a Resolution dated August 18, 2014, the SC 2<sup>nd</sup> Division ordered the consolidation of the two cases. The Republic of the Philippines, PCGG and PTA filed their Consolidated Comment on December 15, 2014 pursuant to the Resolution issued by the SC dated November 24, 2014. The Estate of Ferdinand E. Marcos filed a Consolidated Reply dated July 6, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The SC 3<sup>rd</sup> Division rendered a Decision dated March 23, 2022, which stated that they agreed with the CTA EB. Thus, the Decision denied the petition of UCI and affirmed CTA EB No. 091 in favor of TIEZA.

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

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

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

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

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

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

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

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

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

### **33.7 PTA vs. Henry Benlingon**

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

The case is on the Pre-trial stage.

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

### **33.8 Jabez Pacific Inc. (JPI) vs. Sps. Torio and PTA**

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

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

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

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

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

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

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

### **33.9 Department of Agrarian Reform (DAR), Landbank of the Philippines vs. PTA**

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

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

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

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

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

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

### **33.10 Heirs of Lumayag et al., vs. PTA**

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

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

The RTC Branch 26, Argao, Cebu issued an order dated August 11, 2020 giving the plaintiffs one last chance to present their evidence on October 6 and 7, 2020. If no evidence will be presented on those dates or no



substantial evidence will be presented, the Court will proceed with resolving to the Motion to Dismiss. October 6 and 7, 2020 settings are nontransferable.

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

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

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

The RTC Branch 26, Argao, Cebu issued an Order dated June 9, 2021 stating that plaintiff's witness Joseph Belamia, Brgy. Captain of Casay, Dalaguete, Cebu took the witness stand, whose testimony was completed. The court directed Atty. Ruben S. Ayson Jr. (OSG) to send their representative to talk to Atty. Jonathan C. Villegas Sr. for the last time, since both parties are exploring the possibility of settlement. The latter was given 30 days to formally offer their documentary exhibits and set the case for defendants' evidence on September 15, 2021.

Ms. Cristina Macabenta was presented as a witness on November 9, 2021, and December 15, 2021 hearings via video conference. Ms. Janeth Ocampo was also presented as an additional witness.

On August 22, 2022, the OSG filed a Manifestation and Omnibus Motion for TIEZA.

### **33.11 Rosalinda Yingling vs. Nicolas Quisaot vs. TIEZA**

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

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

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

### **33.12 Catherine Magtajas Mercado and Suzete Magtajas Daba vs. PTA**

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

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

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

### **33.13 PTA vs. Roberto B. Innumerable Construction (RBI), et al.**

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

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

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

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

On June 1, 2022, the OSG filed a formal offer of evidence for TIEZA.

### **33.14 TIEZA vs. Global-V Builders, Co. (CA GR No. 115346) originating from Global-V Builders, Co. vs. PTA (Construction Industry Arbitration Commission (CIAC) Case No. 26-2009)**

TIEZA (formerly PTA) filed a Petition for Review with the CA for judgment rendered by CIAC in favor of Global-V. The subject of the case is based on the Memorandum of Agreement (MOA) entered into by PTA (now TIEZA) and Global-V Builders Co., whereby Global-V shall undertake the execution, completion and remedying the defects of the Boracay Environmental Infrastructure Project-Drainage Component in Aklan. TIEZA then issued a Notice to Proceed and paid 80 per cent of the value of construction materials

purchased by claimant. The final phase of the project would have been the construction of the drainage pumping station and its related works but the original site was not acquired during the implementation of the projects, so TIEZA suspended the project.

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

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

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

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

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

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

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

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

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

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

The CA, Manila, 11<sup>th</sup> Division issued a Decision promulgated on March 21, 2022 with a dispositive portion reads:

*“The COA’s jurisdiction over final money judgments rendered by a court or tribunal only to the execution stage. Applying all the foregoing guidelines, statutes and rules of procedure of the COA, the CIAC acted with grave abuse of discretion and exceeded its jurisdiction when it granted the issuance of a Writ of Execution and Notice of Garnishment on DBP.*

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*Accordingly, the petition is granted in part, only is so far as the limited power of the COA as to the manner of enforcement or satisfaction of the CIAC’s Final Award dated July 13, 2013.*

*Global-V Builders Company is hereby directed to return to the Department of Budget and Management the garnished deposits of TIEZA in the amount of P10,501,337.75, and all other funds unlawfully released by virtue of the invalidated Writ of Execution and Notice of Garnishment.*

*Futher, Global-V Builders Company is directed to file the proper action with the COA to implement the Final Award dated July 13, 2013, in accordance with the provisions of Presidential Decree No. 1445.”*

TIEZA, by counsel, filed a Motion for Correction dated April 7, 2022 praying that the CA correct the second paragraph of the fallo of the Decision to read as follows: *“Global-V Builders Company is hereby directed to return to the TIEZA the garnished deposits of TIEZA in the amount of P10,501,337.75, and all other funds unlawfully released by virtue of the invalidated Writ of Execution and Notice of Garnishment.”*

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

These are actions for cancellation of title filed by the PTA against defendants. PTA bought several parcels of land from Tri-Island Corporate Holdings, Inc.

which bought them from the defendants. Defendants were able to secure titles over the parcels of land by virtue of the Decision of Branch 60, RTC, Cebu which relied on (cancelled) tax declaration presented by the defendants. The above cases are mostly still pending with the RTC.

TIEZA filed Motion for Reconsideration (MR) to the Order of Dismissal dated May 29, 2013 for the Marcosa Sabandal Herzentiel case. In Order dated April 7, 2017, said MR was denied. On June 30, 2015, the OSG filed Notice of Appeal to the Order dated May 29, 2013.

TIEZA filed a Motion for Early Resolution dated February 15, 2019 for Espino and Abenido case.

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

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

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

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

As against defendant, Lucy Franco-Garcia, PTA adopted the claims and defenses of CBBC. However, as against CBBC, PTA contends that non-payment of the consideration, assuming it is true, does not cancel said sale and accordingly does not revert the ownership thereof to CBBC. Pre-trial conference was held on March 15, 2018. A hearing for Judicial Dispute Resolution (JDR) was set on February 8, 2019 but was reset on June 7, 2019.

The RTC Branch 23, Cebu City issued an Order dated September 3, 2019 which stated that the conducted JDR failed and the entire records of the case were remanded to the Office of the Clerk of Court for re-raffling.

In an Order issued by the RTC Branch 28, Cebu City dated January 16, 2020, the Motion to Vacate the Judgment filed by PTA dated November 22, 2018 was initially set for hearing on March 13, 2020, but was moved on March 19, 2021.

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

However, on November 21, 2022, the RTC Branch 58, Cebu City issued an Order stating that their court rendered a judgment on November 22, 2018 based on a Compromise Agreement between the plaintiff and defendant.

### **33.17 PTA vs. Pedro Tapales et al.**

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

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

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

### **33.18 PTA vs. Virgilio Abrenica**

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

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

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

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

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

On April 18, 2022, the Office of the Solicitor General (OSG) filed a memorandum for TIEZA, which prayed that the complaint dated September 18, 2009, be dismissed for lack of merit.

### **33.19 PTA vs. Salvacion G. Sacapano, et al.**

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

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

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

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

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

### **33.20 Gotesco Properties, Inc. (GPI) vs. PTA**

A Memorandum of Agreement (MOA) dated November 5, 2009 was executed for the purchase of the Kang-Irag Golf Course by GPI from the PTA. The said agreement specifically states that GPI shall acquire the said property from PTA. The addendum explicitly states that GPI shall acquire the said property according to its fair market value or current zonal value as determined by the Bureau of Internal Revenue, whichever is higher. The aforementioned MOA and addendum have neither been revoked, rescinded, cancelled or withdrawn by the Board of Directors of TIEZA (formerly PTA) nor a reply been issued on the letter of GPI. GPI reiterated their position in a letter dated December 1,

2014. TIEZA did not act on the matter and refused to act on the demand of GPI for the sale of the said property.

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

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

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

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

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

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

On August 16, 2022, the CA, Manila, 1<sup>st</sup> Division, issued a Resolution which provides that the instant Appeal is deemed submitted for decision.

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

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

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

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

On August 17, 2022, the OSG filed an "Urgent Motion to Resolve" for TIEZA.

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

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



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

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

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

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

On March 28, 2022, the CA, Cagayan de Oro City 22<sup>nd</sup> Division, rendered a Decision which granted the Petition of Virginia Maribojoc. While on May 10, 2022, TIEZA, through the OSG, filed a Motion for Reconsideration on the said Decision.

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

This case involves several lots as stated below:

Cadastral Lots 2261, 2459, 2463, 2364, 2279, 2262, 2332, 8109, 2290, 2516, 2595, 2356, 2359, 2369, 2579, 2725, 2572, 2288, 2507, 2361, 2371, 2368, 2591, 2266, 2267, 2269, 2643, 2441, 2617, 2719, 2593, 2457, 2339, 2423, 2578, 2458, 2723, 2615, 2291, 2357, 2259, 2440, 8107, 2353, 8109, 2292, 2293, 2727, 8087, 2268, 2332, 2356, 2359, 2369 and 2561

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

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

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

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

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

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

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

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

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

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

**33.25 Myrna C. Canama et al. vs. Philippine Games and Holidays Corporation (PGHC) et al. (CC No. CEB-13860)**

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

Defendant PGHC, Plaridel Seno, Anos Fonacier, Paulino Franco and Horacio Franco (now deceased), aided by PTA giving Anos Fonacier and his associates Paulino Franco and Horacio Franco letter of authority to purchase land in Kang-Irag, Cebu in behalf of PTA in lieu of expropriation. Plaintiff alleged that defendant acted with conspiracy and scheme to acquire vast tracts of land in Kang-Irag by means of threat, intimidation, fraud, trickery and

misrepresentation, inducement of the vendors to commit mistake and unconscionable conduct, cause the deceased Damiana Cadutdut and Plaintiffs herein to sign a document of Deed of Absolute Sale for the sum of P100,000.

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

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

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

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

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

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

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

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

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

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

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

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

On February 16, 2018, plaintiff Daisy Ann S. Gabriel filed a complaint against TIEZA and PCI for Annulment of Contract of Sale of Government Property docketed as CC No. R-MKT-18-00396 CV at RTC Branch 146 Makati City.

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

*During the setting for pre-trial today, only counsel for defendants Premier and TIEZA appeared. Plaintiff's counsel failed to appear despite notice. Upon motion of the counsels for defendants and considering the failure of plaintiff to appear for pre-trial despite notice, let the instant complaint be dismissed.*

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

On March 15, 2018, the Republic of the Philippines and City of San Fernando filed a complaint against TIEZA and PCI docketed as Civil Case No. 14636 at

RTC Branch 42, San Fernando, Pampanga. The relief sought by the plaintiffs in the complaint is for the court to render judgment nullifying contract of sale, enjoining PCI from registering the property and prohibiting TIEZA from further selling the property in violation of law.

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

*PREMISES given, the Court orders the following:*

- 1. Anent the Motion for Voluntary Recusal dated December 11, 2018 from Defendant PCI, this is Denied.*
- 2. Anent the manifestation made in open court by counsel for the Republic of the Philippines, no denial ensued from either counsel for Defendant PCI, or counsel from defendant TIEZA, this is per OCA Circular No. 89-2004, sent to Archives.*

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

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

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

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

Respondent PCI filed its Compliance dated December 23, 2020.

### **33.28 Heirs of Antonio Castillejos, et al. vs. PTA**

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

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

### **33.29 TIEZA vs. National Water Resources Board (NWRB)**

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

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

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

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

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

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

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

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

On February 28, 2022, the CA, former 17<sup>th</sup> Division, Manila, issued a Resolution denying the Motion for Reconsideration filed by petitioner NWRB, seeking a reconsideration of this Court's Decision denying its petition for review for lack of merit.

The OSG submitted its Compliance dated March 22, 2022 that it received a copy of the Notice of Resolution dated February 28, 2022 on March 21, 2022.

On November 10, 2022, TIEZA, through the OGCC, filed a Comment on NWRB's Petition for Review on Certiorari docketed as GR No. 259644 filed before the SC, Manila.

### **33.30 Paterno Belciña vs. PTA et.al.**

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

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

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

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

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

TIEZA filed a manifestation and compliance, accordingly.

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

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

**33.31 Felicitas A. Benting et al. vs. Board of Directors (BOD) of TIEZA et al. CC No. 14-819**

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

- a. Render to Petitioners the difference between the amounts of the separation package provided under TIEZA Board Resolution No. 19-10-10.IV B.2 and the amount of separation benefit actually received by Petitioners;
- b. Re-compute and adjust petitioners' separation benefits based on their last actual monthly salary and render to petitioners the corresponding amount therefor;

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

On August 17, 2018, a decision was rendered by the 4<sup>th</sup> Division of the CA which granted the Petition for Certiorari of the petitioners. The Orders dated March 10, 2015 and July 30, 2015 issued by Branch 149 of the RTC of Makati City in CC No. 14-1819 were revered and set aside. The case was remanded to the court of origin for a resolution on the merits of the case. On April 29, 2019, the petitioners filed a Motion for the Production of Documents.

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

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

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

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

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

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

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

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

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

The RTC Branch 26, Argao, Cebu issued an Order dated April 26, 2021 stating that the court had gathered substantial information and they are not in any manner prejudicial to the interest of TIEZA. The ocular inspection was



designed to locate the area where the plaintiffs may be accommodated and that there is no need to conduct another inspection.

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

The comparison of the original documents with the documentary exhibits was conducted through video conferencing on November 9, 2021. Atty. Jan Michael Bueser – OGCC, physically attended the hearing for the comparison of the original/certified true copy of the documents with the documentary exhibits.

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### 34. CONTINGENCIES

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

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### 35. SUPPLEMENTARY INFORMATION ON TAXES

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

- a. TIEZA is a Value-added tax (VAT)-registered government-owned or controlled corporation with VAT output tax declaration of P10.308 million for the year based on the amount reflected in the sales account of P85.898 million and remitted to BIR P10.924 million net of tax credits.
- b. The amount of VAT Input Taxes claimed are broken down as follows:

	2022	2021
Balance at the beginning of the year	4,253,279	4,705,355
Current year's purchases		
Goods other than for resale or manufacturing	4,060,774	2,729,055
Services lodged under other accounts	1,247,883	2,921,866
Total	9,561,936	10,356,276
Less: Input tax claimed	8,883,076	6,102,997
Balance at the end of the year	678,860	4,253,279

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

Other taxes and licenses:

	2022	2021
Percentage Withholding Taxes on Interest	7,287,780	11,239,505
Real Property Tax	2,221,872	597,174
Other Charges	331,617	539,329
LTO Vehicle Registration	72,199	84,597
Donor's Tax	44,895	20,000
Payment to Registry of Deeds	0	31,090
VAT Renewal	3,000	3,500
	<b>9,961,363</b>	<b>12,515,195</b>

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

	2022	2021
Tax on compensation	35,671,465	27,556,861
Withholding taxes (5% VAT, Expanded & Sales/Percentage)	44,617,251	38,451,308
12% VAT	10,923,962	1,735,544
	<b>91,212,678</b>	<b>67,743,713</b>

d. Overpayment of Corporate Income Taxes

	2022	2021
Balance of CY 2021	8,406,192	8,406,192
1 <sup>st</sup> quarter of CY 2022	40,379	0
2 <sup>nd</sup> quarter of 2022	96,230	0
3 <sup>rd</sup> quarter of 2022	0	0
	<b>8,542,801</b>	<b>8,406,192</b>

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

1. **The faithful representation of the balances of Property and Equipment (PE) and Service Concession Assets (SCA) was not achieved as required under International Public Sector Accounting Standard (IPSAS) No. 1 because the balance amounting to P5.114 billion was doubtful due to unaccounted and unreconciled balance of P42.811 million between the results of physical count and the balance recorded in the books of accounts.**

- 1.1 This is a reiteration of prior years' observation with modification as embodied in the Calendar Years (CYs) 2017 to 2021 Annual Audit Reports (AARs).
- 1.2 Paragraph 27 of IPSAS No. 1 states 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, revenue, and expenses set out in IPSASs.*
- 1.3 On June 1, 2022, the TIEZA Inventory Team, consisting of members from the General Services Department (GSD), conducted physical inventory count of movable properties from June 14, 2022 to October 20, 2022, at the TIEZA Main Office, TIEZA Entities, and Travel Tax Units. These include the inventory count of office equipment, furniture and fixtures, IT equipment, motor vehicles, and other machinery and equipment. Fixed assets and other structures, including but not limited to land, land improvements, buildings and other structures, leasehold improvements, and other assets classified as PE, were also counted and assessed separately by another team from the Asset Management Sector.
- 1.4 The partial Physical Inventory Report was initially submitted on January 17, 2023, to the Audit Team to comply with the mandatory deadline. The final inventory report was belatedly submitted to the Audit Team on March 29, 2023, and disclosed several of reconciling items that were not acted upon. (contrary to Section V.4 of Commission on Audit (COA) Circular No. 80-124 dated January 18, 1980, which states that the inventory reports shall be properly reconciled with accounting and inventory records.)
- 1.5 The reconciliation of the physical inventory report against Financial Services Department (FSD) records revealed a total variance of P42.811 million. Some of the probable causes of discrepancy that need to be addressed by Management are listed, as follows:
  - a. PE items amounting to P25.088 million were not found during the count and need further investigation to validate their existence and valuation;

- b. Various computer software amounting to P83.539 million (at cost) were not counted or validated by the inventory team if they are still being used by the agency;
  - c. Various equipment that was either missing, destroyed, or subject to verification with different local government units because the items were alleged to be lost, remained in the FSD records;
  - d. Some machineries and equipment were not counted and tagged in the inventory system, while others were counted but not recorded in the FSD records;
  - e. Items subject to disposal and donation were not derecognized from the FSD records pending proper documentation; and
  - f. Various types of machineries and equipment have discrepancies between the recorded amounts in the FSD records and inventory records.
- 1.6 Furthermore, we were not able to observe any of the inventory counts conducted since we were not invited to witness the count.
- 1.7 The Audit Team was not able to perform alternative audit procedures in the absence of a reconciliation of the said discrepancies. Consequently, we were not able to determine whether any adjustment is necessary.
- 1.8 The Audit Team acknowledged the effort of the Management to fully execute the inventory count and to do the reconciliations of records, however, the unaccounted and unreconciled balance of P42.811 million still exist, thus casting doubt on the fair presentation of affected accounts in the financial statements, which is a departure from the above-quoted provision of IPSAS No. 1.
- 1.9 We reiterated our prior years' recommendations that Management:**
- a. Ensures the proper reconciliation of inventory reports with the accounting records;**
  - b. Acts immediately on the identified issues in the results of reconciliation of inventory report with the accounting records, specifically the validation of computer software, movable PE identified as missing, destroyed, or for disposal, and donated PE that lacks documentation; and**
  - c. Adjusts 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 and SCA accounts in the financial statements.**

- 1.10 Management commented that they acknowledged the deficiencies observed by the audit team during the year. Significant amounts pertain to the following:
- a. The land improvements at Banaue Hotel and Youth Hostel, amounting to P12.917 million were not included in the report of the Inventory Task Force for Fixed Assets. Management assured us that these items will be included in the CY 2023 physical inventory report.
  - b. The Report on the Physical Count of Property, Plant, and Equipment (RPCPPE) and Report on the Physical Count of Inventories (RPCI) cover only tangible assets. Software, such as subscription licenses, are intangible assets and thus, were not included in the inventory reports. Management committed to prepare adjusting entries based on their respective classifications.
  - c. The Administrative Services Department (ADSD) and FSD are constantly reconciling their records, particularly on the following items
    - c.1 Those PEs left at the former TIEZA building in Ermita, Manila, such as automatic transfer switch, pump motors, firefighting equipment, etc., and radio communication equipment located in Antipolo and Baguio. Continuous coordination with the Local Government Units (LGUs) and the National Museum of the Philippines will be monitored for the turnover of said PEs.
    - c.2 Pieces of machinery and equipment that were either not counted and tagged in the inventory system or counted but not recorded in the FSD records.
    - c.3 Various PE donated to the Imus Vocational and Technical School (IVTS) to properly support the transaction by a Deed of Donation.
    - c.4 Discrepancies in the valuation of assets between the ADSD and the FSD, such as input tax not considered as capitalizable asset by the FSD and the installation cost not considered in the ADSD valuation.
- 1.11 Moreover, the Management has scheduled a seminar on July 6, 2023 to properly implement the One-Time Cleansing of PE account balances (as required by COA Circular No. 2020-006 dated January 31, 2020, and eventually resolve the discrepancies between the inventory and accounting records.)

2. **Investment Properties amounting to P114.241 million acquired either by purchase or donation remained untitled to date, thereby negating management's assertion of its rights and obligations pertaining thereto.**
- 2.1 This is a reiteration of prior years' observation with modification as embodied in the CYs 2017 to 2021 AARs.
- 2.2 Rights and obligations are basic assertions 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, 2022, is not covered by Transfer Certificates of Title (TCTs) under the name of TIEZA.
- 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 During the year, the Investment Committee of TIEZA managed to secure five TCTs for five lots situated in Paoay, Ilocos Norte. However, the audit team was not able to identify the value of the TCTs due to lack of information provided, thus removal from the list of doubtful Investment properties was not possible.
- 2.8 The absence 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, 2022.
- 2.9 **We reiterated our prior years' recommendation that Management fast-tracks the titling of Investment Properties and consider filing necessary legal action against individuals claiming ownership of land acquired by TIEZA if warranted.**
- 2.10 Management commented that the Titling Committee has been organized to discuss the problems identified for each of the properties involved and the corresponding remedies, therefore. At present, members of the Committee are still retrieving the original documents necessary to proceed with the titling of each property.

2.11 Furthermore, some of the properties identified are involved in court litigation. Thus, this limits the Authority's intervention, as the court proceeding is a matter beyond TIEZA's control.

**3. Guaranty deposits and liability accounts amounting to P11.599 million and P58.093 million, respectively, remained dormant for two years to more than 10 years, necessitating the refund of guaranty deposits, and the reversion of liability accounts to Retained Earnings to present fairly the accounts in the financial statements pursuant to Paragraph 27 of IPSAS No. 1.**

3.1 This is a reiteration of prior years' observation with modification as embodied in the CYs 2014 to 2019 AARs.

***Guaranty Deposits***

3.2 This account pertains to deposits made to various utility and service providers as an assurance or guarantee that TIEZA will comply with its obligations, subject to refund upon the completion of the contract. However, P11.599 million, or 27.70 per cent of the total P41.873 million *Guaranty Deposits* account, had been dormant for five to more than 10 years.

3.3 In partial compliance with our previous years' recommendation, the FSD submitted an analysis of the account as of December 31, 2021, identifying the nature and origin of the guaranty deposits. However, the Management's efforts to demand the refund of such deposits are insufficient as the total dormant amount of P11.599 million remained in the books of accounts as of December 31, 2022.

***Liabilities***

3.4 COA Circular No. 99-004 dated August 17, 1999, provides guidelines on the reversion of Accounts Payable to Retained Earnings to prevent the undue accumulation of their balance.

3.5 Section 3.2 b of the said Circular states that *a payable – unliquidated obligations that has been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts on record should be reverted to the Cumulative Results of Operations Unappropriated (CROU) (now Retained Earnings).*

3.6 The dormant liability accounts of TIEZA as of December 31, 2022 are long overdue for reversion to Retained Earnings, considering the status of these accounts as follows:

### 3.7 **Accounts Payable (AP)**

- a. This account includes stale checks on refunds of travel tax, over remittances from credit card transactions, and obligations incurred at the end of the year.
- b. There were book reconciling items identified, like over remittances from credit card companies, that have remained recorded as *Accounts Payable* since 2019. Also, various year-end accruals were not reverted at the beginning of the following year for two to more than five years, thus overstating the recorded expenses in the related accounting period.
- c. Details of AP aged two to over five years amounting to P45.171 million as of December 31, 2022 are as follows:

Particulars	Amount			
	2-3 years	3-5years	Over 5 years	Total
Unclaimed travel tax refunds	P 1,620.00	P 0.00	P 0.00	P 1,620.00
Over remittances from credit card transactions	2,388,655.76	112,080.00	0.00	2,500,735.76
Year-end accrual of accounts that have not been paid to date or reverted at the beginning of the following year	10,317,160.43	29,351,462.65	3,000,000.00	42,668,623.08
<b>TOTAL</b>	<b>P 12,707,436.19</b>	<b>P 29,463,542.65</b>	<b>P 3,000,000.00</b>	<b>P 45,170,978.84</b>

### 3.8 **Due to National Government Agencies (NGAs)**

- a. This account had a balance of P579.198 million as of December 31, 2022, of which P14,946 has been dormant and non-moving for more than five years. Dormant accounts pertain to the liabilities transferred to TIEZA Main Office from the closed Hilaga property in CY 2015 and a stale check for the Procurement Service – Department of Budget and Management.

### 3.9 **Due to Other Government-Owned and –Controlled Corporations (GOCCs)**

- a. As of December 31, 2022, this account had a balance of P329,749, of which P218,628 had been dormant and non-moving for two to six years. The dormant accounts represent amounts due to other GOCCs, such as Corregidor Foundation, Inc. (CFI), amounting to P10,000, which was received by TIEZA for the settlement of disallowance on behalf of CFI but has not been remitted to CFI for more than six years.
- b. Also, a P25,000 stale check recorded in September 2020 remained in the books of accounts as payable to the Government Corporations Athletic Association.



- c. Lastly, accrued interest earned from the sale of TIEZA Hilaga Property in the amount of P183,628 remained unremitted to the Tourism Promotions Board (TPB).

### **3.10 *Guaranty/Security Deposits Payable***

- a. This account refers to the amount withheld from contractors, representing 10 per cent retention from every progress payment until 50 per cent of the value of works is completed to guarantee the performance of the contractor. The total retention money is due for release upon final acceptance of the project.
- b. The account had a balance of P120.944 million as of December 31, 2022, of which P12.688 million, or 10.49 per cent had been dormant for five years to more than 10 years.
- c. Verification of the account revealed that the majority of the balances should have been refunded to the contractors upon completion of their contract. However, the amounts remained outstanding and dormant in the books of accounts. Given that the projects were completed five to over 10 years ago and the Authority received no claims from the contractors, the accounts of the *Guaranty Deposits Payable* and *Other Income* are both misstated.

- 3.11 Fair presentation of guaranty deposits and liability accounts amounting to P11.599 million and P58.093 million, respectively, as of December 31, 2022 was not achieved as required under Paragraph 27 of IPSAS No. 1 due to accounts dormancy, non-refund, and non-reversion to Retained Earnings.

### **3.12 We reiterated our prior years' recommendations that Management:**

- a. **Requires the FSD, in collaboration with the Legal Department, to exert extra effort to refund the dormant Guaranty Deposit accounts amounting to P11.599 million;**
- b. **Requires the FSD to remit the amount of P193,628 due to CFI and TPB and revert to Retained Earnings the liability accounts aged two years and above to present fairly the accounts in the financial statements; and**
- c. **Requires the FSD, in collaboration with the Architectural and Engineering Services Sector, to exert effort in reconciling the details of Guaranty/Security Deposits Payable account and determine which dormant accounts shall be adjusted or reclassified to Miscellaneous Income.**

- 3.13 Management assured that the FSD will continue to exert effort in gathering sufficient supporting documents for the refund of the dormant Guaranty Deposit accounts amounting to P11.599 million. A collaboration will be

made with the Legal Department on how to go about the dormant accounts, particularly the guaranty deposit accounts with no available documents to support the refund.

- 3.14 The amount due to CFI will be remitted accordingly, and further analysis will be done for the TPB account. Moreover, analysis for the other liability accounts is ongoing, and rest assured that necessary adjustments will be made for those accounts aged two years and above.
- 3.15 The FSD, in collaboration with the Architectural and Engineering Services Sector (AESS), will undertake the reconciliation of the details of the Guaranty/Security Deposits Payable account to determine which dormant accounts shall be adjusted or reclassified to Miscellaneous Income.

## **B. OTHER OBSERVATIONS**

- 4. **The grant of monetary awards under the Program on Awards and Incentives for Service Excellence (PRAISE) conferred to all TIEZA employees as Corporate Achievement Award in recognition of the Agency's International Organization for Standardization (ISO) Certification, amounting to P22.215 million, was not in accord with the pertinent provisions of the Civil Service Commission Memorandum Circular (CSC MC) No. 01, series of 2001 (s. 2001), rendering such monetary award as unauthorized and irregular expenditures pursuant to COA Circular No. 2012-003 dated October 29, 2012.**

- 4.1 The CSC MC No. 01, s. 2001, adopts the following revised policies, among others, on PRAISE:

- a. Every department or agency shall establish its own employee suggestions and incentive awards system.*
- b. The System shall be designed to encourage creativity, innovativeness, efficiency, integrity and productivity in the public service by recognizing and rewarding officials and employees, individually or in groups for their suggestions, inventions, superior accomplishments and other personal efforts which contribute to the efficiency, economy, or other improvements in government operations, or for other extraordinary acts or services in the public interest.*
- c. The PRAISE shall provide both monetary and non-monetary awards and incentives. Monetary awards shall be granted only when the suggestions, inventions, superior accomplishments and other personal efforts result in monetary savings which shall not exceed 20 per cent of the savings generated.*

- 4.2 Pursuant to the above-cited CSC MC, the TIEZA has established its Agency PRAISE, which was submitted to the CSC National Capital Region (NCR) Regional Office and was approved on November 28, 2022. The

approved PRAISE includes a Corporate Achievement Award under the Agency Awards category, conferred to all its employees after receipt of the ISO Certification, with a monetary award equivalent to one month's salary of each employee.

- 4.3 Review of the Journal Entry Vouchers (JEVs) and its supporting documents disclosed that TIEZA granted PRAISE monetary awards amounting to P22.215 million to its officers and employees, which are permanent and coterminous employees.
- 4.4 The grant of monetary award was based solely on the CSC-approved TIEZA Revised PRAISE. Disbursements were made without CSC–Department of Budget and Management (DBM) guidelines, which was not in conformity with Section 9 of National Budget Circular No. 579, which provides that *the guidelines on the monetary and/or non-monetary rewards for recognition of personnel under the PRAISE shall be issued by the CSC in consultation with the DBM.*
- 4.5 Further review and verification of the TIEZA's PRAISE transaction disclosed that:
  - a. *ISO Certification cannot be considered or to be included in the Employee Suggestions and Incentive Awards System in line with the revised policies on PRAISE under CSC MC No. 01, s. 2001.*
    - a.1 As contemplated under the abovementioned CSC MC No. 01, s. 2001, the PRAISE is a mechanism to recognize and reward individuals or groups of employees for their exemplary or superior accomplishments that contribute to organizational productivity and other improvements in the agency's operations, or for other extraordinary acts or services in the public interest.
    - a.2 Whereas, ISO Certification is a requirement for compliance under Executive Order (EO) No. 605, series of 2007, directing all agencies of the Executive Branch, including GOCCs, to adopt ISO:9001-2000 Quality Management Systems (QMS) as part of the implementation of a government-wide quality management program.
    - a.3 The activities in complying with the requirements for ISO Certification involving documentation and report preparation which may be performed as a regular function of specific unit or department of the agency do not fall under any of the enumerated acts subject to recognition under the PRAISE program, such as suggestions, innovations, inventions, superior accomplishments and extraordinary acts, that contribute to the efficiency, economy, or improvement of government operations.

- a.4 ISO Certification to be considered a superior accomplishment or extraordinary act of all employees is highly debatable/contentious as far as the revised CSC policies on PRAISE are concerned.
- a.5 As emphasized by the CSC NCR Director on her reply to our query/Legal Opinion (01520003023) dated February 28, 2023, *“An agency, which is ISO certified, is required to adhere to the quality process standards which is consistent with international best practices. Hence, this may be considered as ‘an extraordinary act’ which was aligned with the objective of TIEZA in delivering efficient service to the public. Nonetheless, only eligible employees should be the subject of said award”*. However, from our point of view, attaining ISO certification, which requires employees to adhere to quality process standards, equates to efficient public service embodied in the Code of Conduct and Ethical Standards for Public Officials and Employees; hence, such is an ordinary act or norm of conduct expected from or which every public servant is under obligation to abide by in the performance of their duties and therefore not an extraordinary act.
- b. *There was no proof that the accomplishments and other personal efforts in relation to obtaining ISO Certification resulted in monetary savings.*
  - b.1 Paragraph 6 of CSC MC No. 1, s. 2001 consistent with the TIEZA Revised PRAISE provides that *the PRAISE shall provide both monetary and non-monetary awards and incentives to recognize, acknowledge and reward productive, creative, innovative and ethical behavior of employees through formal and informal mode. For this purpose, the System shall encourage the grant of non-monetary awards. Monetary awards shall be granted only when suggestions, innovations, superior accomplishments and personal efforts result in monetary savings, which shall not exceed 20 per cent of the savings generated.*
  - b.2 There were no evident indications that being ISO certified, which was considered by TIEZA as a superior accomplishment and a product of extraordinary acts of all employees, resulted in monetary savings to warrant the grant of monetary awards under the TIEZA Revised PRAISE. It appears that monetary savings, which is a requisite in the grant of monetary award, could not be determined; hence, being ISO certified is not eligible for the monetary award under the PRAISE.
  - b.3 Additionally, it was clearly stated in the above-quoted provision that the agency must comply with the foregoing limitations in granting monetary awards to employees who contributed to the agency's monetary savings.

c. *The monetary rewards were granted to all TIEZA employees instead of being given only to eligible individuals/employees or in groups.*

c.1 Paragraph No. 2 of CSC MC No. 01, s. 2001 states that *the System shall be designed to encourage creativity, innovativeness, efficiency, integrity and productivity in the public service by recognizing and rewarding officials and employees, individually or in groups for their suggestions, inventions, superior accomplishments and other personal efforts which contribute to efficiency, economy, or other improvement in government operations, or for that extraordinary acts or services in the public interest.*

c.2 Under the said CSC MC, a Group is defined as the assemblage of two or more employees organized to work together interdependently and cooperatively towards rendering an extraordinary act or service, which may either be work-related or non-work related, and has benefited a number of persons in the organization. Undoubtedly, PRAISE is a mechanism to encourage, recognize and reward individuals or groups of employees for their exemplary or superior accomplishments, which contribute to organizational productivity; hence, it is not an award intended for all agency employees.

d. *Based on the foregoing deficiencies with CSC MC No. 01, s. 2001, payments on the grant of the abovementioned PRAISE awards may be considered irregular expenditures as defined under Section 3.1 of COA Circular No. 2012-003 dated October 29, 2012.*

d.1 The term “irregular expenditures” signifies an *expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed without conforming to prescribed usages and rules of discipline. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular. A transaction which fails to follow or violates appropriate rules of procedure, is likewise irregular.*

4.6 Most government agencies are implementing ISO-9001-certified QMS pursuant to EO No. 605, s. 2007 and are therefore ISO-certified agencies just like TIEZA. However, inquiries from other COA auditees disclosed that TIEZA was among the very few agencies (only three from the NCR) that granted monetary award recognizing ISO certification under the PRAISE. ISO Certification is not eligible for inclusion in the PRAISE as contemplated under CSC MC No. 01, s. 2001, otherwise such monetary award would have been granted by the other ISO-certified agencies for the past several years since the implementation of EO No. 605 in 2007. Allowing or passing in audit the grant of monetary award in recognition of

ISO Certification as one of the Agency Awards under TIEZA's Revised PRAISE could open the floodgates and would be a precedent-setting to all ISO-certified agencies in the government to grant the same monetary award to its employees.

**4.7 We recommended that Management:**

- a. Discontinues the grant of the PRAISE monetary award to all employees in recognition of the agency's achievement of being an ISO-QMS Certified; and**
- b. Henceforth, strict adherence to the cited CSC rules and regulations on the succeeding grant of PRAISE awards is enjoined.**

4.8 Management commented that prior to giving the PRAISE monetary award to TIEZA employees, TIEZA's PRAISE had been thoroughly reviewed and evaluated by the CSC in accordance with CSC MC No. 1, s. 2001. Had the CSC determined that TIEZA's PRAISE was inconsistent with any existing rules, regulations, and policies, the CSC would not have given its approval, and consequently, TIEZA would not have granted the same to its employees, as the Authority does not have the right or the power to ignore the CSC's ruling.

4.9 Similarly, they argued that nowhere in CSC MC No. 1, s. 2001 did it say that approval or conformity from the DBM was necessary before TIEZA could grant monetary or non-monetary rewards under PRAISE. If such was the case, TIEZA would have obtained the same and taken steps to seek the DBM's approval before granting the award to its employees. But since CSC granted their PRAISE on November 8, 2022, TIEZA granted the monetary award to all its employees, absent any conditions or qualifications.

4.10 The Management admitted that every public servant is expected to strictly observe the standard set forth in the Code of Conduct and Ethical Standards for Public Officials and Employees. With or without an ISO certification, TIEZA is expected to provide efficient public service regardless of whether its process for delivering the expected outcome is acceptable to or at par with international standards.

4.11 The fact that TIEZA obtained an ISO certification is a very distinct recognition and a testament from a third party that TIEZA went beyond the minimum and beyond what is normally expected and even set the bar high by complying with a more rigid set of standards and internationally accepted and established best practices developed by the ISO to deliver a more efficient and effective public service. Providing efficient public service is an ordinary act expected from each government employee; conforming to and acting within the well-established process standards to provide an expected outcome is an extraordinary act that merits PRAISE.

- 4.12 As affirmed by the Financial Services Department (FSD), the Authority's achievement of obtaining an ISO Certification resulted in TIEZA's monetary savings in terms of cost reduction due to improved processes and efficiency resulting in better public service, as evidenced by their outstanding customer satisfaction surveys.
- 4.13 The Management emphasized that the ISO Certification is a Corporate Achievement Award under the Agency Awards category. It was categorized as such because the Management is not oblivious to the fact that each and every TIEZA employee had a vital role in achieving such recognition; thus, this particular feat is a product of the concerted efforts of all employees. Thus, it is only fitting that all employees and personnel be rewarded. To do otherwise is to overly discredit one's contribution to corporate achievement.
- 4.14 The Audit Team emphasized that PRAISE is merely a system devised by the CSC by which officials or employees, individually or in groups, are recognized by their respective agencies for their suggestions, inventions, superior accomplishments, and other personal efforts. The PRAISE may be the basis for the grant of incentives or awards, but it is not the grant itself. The approval by the CSC, therefore, of an agency's PRAISE does not automatically equate to a blanket authority for the grant of any of the awards or incentives given through said program. Accordingly, the approval by the CSC of the TIEZA PRAISE does not assure the regularity of any grant of monetary awards or incentives made through it. It follows that in granting incentives or awards through said system, said grant must follow pertinent rules concerning employee suggestions and incentive awards system, foremost of which is CSC MC No. 01, s. 2001 itself, the CSC policy through which the TIEZA PRAISE was made. Thus, the grant of the Corporate Achievement Award should follow the standards and guidelines set forth in the said CSC policy, particularly that which pertains to the limit on the grant of monetary awards found in Item 6 thereof, which states:
- a. *"6. The PRAISE shall provide both monetary and non-monetary awards and incentives to recognize, acknowledge and reward productive, creative, innovative and ethical behavior of employees through formal and informal modes.*
  - b. *For this purpose, the System shall encourage the grant of non-monetary awards. Monetary awards shall be granted only when the suggestions, inventions, superior accomplishments and other personal efforts result in monetary savings which shall not exceed 20 per cent of the savings generated."*
- 4.15 Given that the monetary award to be granted is limited to only 20 per cent of the savings generated by the supposed suggestions, inventions, superior accomplishments and other personal efforts of the recipient employee, it follows that there should be a computation of the monetary savings generated by the specific and actual contribution by each

employee. This computation for each employee is important to determine whether they are eligible to receive the award considering the dual/two-fold requirement for the grant of monetary award provided for in the abovementioned second paragraph of Item 6. Evidently, following Item 6 of CSC MC No. 01, s. 2001, as to the amount of monetary award to be granted, there should be a measurable value to the supposed savings generated by an attributable action by an employee and not merely a hypothetical claim of savings.

- 4.16 Thus, the grant of monetary awards to all employees without distinction as to their actual contribution to the savings generated by the agency, citing merely a collective effort that resulted in supposed savings, unmistakably runs contrary to this policy on monetary awards.
- 4.17 The indiscriminate grant of a monetary award is contrary to the concept of an employee suggestions and incentives system, the PRAISE being one as can be gleaned under Item 1 of CSC MC No. 01, s. 2001, is supported by the case of Development Academy of the Philippines (DAP) vs. COA (G.R. 203072, October 18, 2016), wherein the Supreme Court (SC) upheld the COA's position, thus:
- a. *"x x x Citing Bureau of Fisheries and Aquatic Resources Employees Union vs. COA, respondents emphasize that this Court has settled that the Employee Suggestions and Incentive Award System pertains only to "personal efforts contributed by an employee to the efficiency, economy, or other improvements of government operations." This precludes the indiscriminate grant of benefits to all employees, or the en masse payment of the award, which the petitioner did.*
- We sustain respondents' position."*
- 4.18 We highlighted that the SC in the DAP case sustained the disallowance of the grant of an award under the Employees Suggestions and Incentive Award System despite the approval of the said system by the CSC. Clearly, then, approval by the CSC alone is not a sufficient defense from the improper grant of any award being considered irregular.
- 4.19 As to the point that TIEZA obtaining ISO certification is a distinct recognition, we emphasized again that ISO certification is a requirement for compliance under EO No. 605, s. 2007, directing all agencies of the Executive Branch, including Government Owned or –Controlled Corporations (GOCCs), to adopt ISO:9001-2000 QMS as part of the implementation of a government-wide quality management program.
- 4.20 We maintained our view that obtaining an ISO Certification cannot be considered an extraordinary act if every government agency under the Executive Branch, including GOCCs such as TIEZA, is expected to obtain it by virtue of EO No. 605, s. 2007. The directive of EO No. 605, s. 2007 renders the acquisition of ISO certification mandatory for executive



agencies. If an act is mandatory, then it is expected to be performed, thus, making it an ordinary act, and performing it is nothing beyond ordinary.

- 4.21 We stressed that the PRAISE guidelines demand a determinate generation of monetary savings and not merely a hypothetical one. Without evidence of monetary savings generated by the personal effort of an employee, the eligibility of said employee to be granted a monetary award cannot be determined. The essence of an Employee Suggestions and Incentive Award System, such as PRAISE, is the recognition of the extraordinary contributions of an employee that led to monetary savings for the government agency.
- 4.22 This is the same sentiment by the SC in the DAP case when it stated:
- a. *“There is no room for the Employee Suggestions and Incentive Award System for the indiscriminate grant of an incentive package to all employees, or the en masse payment of the Financial Performance Award, as the petitioner did.*
  - b. *The entire point of the Employee Suggestions and Incentive Award System is the recognition of exemplary personal effort. Contributions beyond the ordinary are its essence. Even as Section 2 of Rule X of the Omnibus Rules Implementing Book 5 of the Administrative Code refers to “rewarding officials and employees . . . in groups,” the pivotal consideration remains to be innovations or accomplishments of an exceptional nature, that is, those that may be set apart from what the remainder of the workforce has attained. To use the Employee Suggestions and Incentive Award System to grant incentive packages to all employees (excepting only those with disciplinary liabilities) is to run afoul of its very nature.”*
- 4.23 Thus, it is the contribution of the employee that generated monetary savings that make said employee eligible to be granted a monetary award. When savings are being claimed, it is essential that there be a computation on how said savings were arrived at. It cannot be claimed that there are savings generated if they cannot be substantiated by tangible values because they need to be quantified; otherwise, declaring savings would only be arbitrary.
- 4.24 Again, we pointed out that CSC approval of TIEZA PRAISE does not automatically equate to a blanket authority to grant any of the awards or incentives given through said program. The approval by the CSC of the TIEZA PRAISE is not an assurance of the regularity of any grant of monetary awards or incentives made through it. The approval of an agency’s PRAISE is a different undertaking/ function from the grant of any awards under it. The grant of the Corporate Achievement Award should follow the standards and guidelines set forth by the CSC PRAISE, which is even recognized in the TIEZA PRAISE itself, particularly that which pertains to the limit on the grant of monetary awards found in Item 6 thereof. Said guidelines delve not only into the limitation on the grant of

monetary awards but also into the eligibility of employees to whom the award is being granted, particularly if the suggestions, inventions, superior accomplishments and other personal efforts of the employee resulted in monetary savings. Hence, it cannot be disregarded as it pertains to the grant of herein Corporate Achievement Award, which is unequivocally monetary in nature.

- 4.25 In fact, even the CSC NCR Director, in her reply to our query in the Legal Opinion (01520003023) dated February 28, 2023, stated that “x x x only eligible employees should be subject of said award.”
- 4.26 In addition, the grant of the Corporate Achievement Award to all employees indiscriminately runs contrary to the essence of an Employee Suggestions and Incentive Award System such as the PRAISE, as explained by the SC in the DAP case, such that the fundamental consideration in granting an award through such systems is the innovations or accomplishments of an exceptional nature, that is, those that may be set apart from what the remainder of the workforce has attained. Thus, if all employees acted in the same manner, then their individual performances could not be distinguished from each other's performances so as to be considered remarkable.
- 4.27 Furthermore, we emphasized, without being too repetitive, that the SC, in the cases of DAP, sustained the disallowance of incentives or monetary awards that were granted despite there being an approval by the CSC of the incentive system, be it the PRAISE or its predecessor, the Employee Suggestions and Incentive Award System, through which the disallowed incentives were granted. Therefore, **CSC approval of the TIEZA PRAISE should not be taken as an all-encompassing authority that cures any irregularity in the grant of any incentive or award.**
- 4.28 During the exit conference, Management added that they would like to follow the recommendation of the COA to set parameters on how the award will be granted, as they see the wisdom in the recommendation to properly determine the personnel or officers that should be granted the incentive. TIEZA intends to craft guidelines and parameters for the granting of such incentives in coordination with COA so that they can come to an agreement on how they can properly grant it to their employees.
- 4.29 The Audit Team requested the Management to submit proof that they adopted benchmarking with other agencies that granted the monetary award for us to validate whether or not to disallow the grant.

**5. Disbursements made for the Christmas celebration and TIEZA Anniversary expenditures for CY 2022 were found lacking in documentation or supporting papers to establish the propriety of the transactions.**

- 5.1 In our Audit Query Memorandum (AQM) dated May 20, 2022, we requested the Management to furnish supporting documents relative to the purchase

of gift checks as corporate giveaways in CY 2021. However, none was submitted as of this date, and the continued incurrence of such expenses was still observed during the current year, contrary to the requirements under COA Circular No. 2012-001 dated June 14, 2012.

- 5.2 In addition, examination of the disbursement vouchers (DVs) for the purchase of various corporate giveaways and grant of raffle prizes lacks the necessary supporting documents to properly account for these expenses and/or to substantiate their utilization; hence, the propriety of the transactions cannot be established, which may be in contravention of Section 2 of PD No. 1445, which states that *all resources of the government shall be managed, expended, or utilized in accordance with law and regulations and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.*
- 5.3 Also, one of the fundamental principles governing financial transactions is that claims against government funds shall be supported with complete documentation.
- 5.4 **Given the foregoing, we recommended that Management justifies the disbursements of such expenditures and provide proof of utilization to comply with the requirements of COA Circular No. 2012-001 dated June 14, 2012.**

**6. Procurement of the year-end corporate giveaways amounting to P0.974 million was not in accordance with the guidelines set forth under the alternative mode of procurement – Section 8.b.iv of Annex H of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.**

- 6.1 Examination of DV No. SF-2022-05-1975 with Check No. 79118390 dated May 16, 2022 disclosed that the procurement of 750 pcs. CY 2022 desk calendar and 500 pcs. journal was made thru Negotiated Procurement – Small Value Procurement (SVP). The Bids and Awards Committee (BAC) sent a Request for Quotation (RFQ) to three suppliers of known qualifications. The RFQ was also posted on the PhilGEPS website from December 14-17, 2021. Accordingly, two prospective bidders submitted their respective electronic quotations.
- 6.2 Our audit disclosed that the supplier who quoted the lower price of P230/unit for desk calendar was disqualified due to failure to submit the details and specifications of the items, i.e. size, color, pages/leaves, thus, the procurement was awarded to the supplier with the higher quotation of P645/unit.
- 6.3 Section 8.b.iv of Annex H of the RIRR of RA No. 9184 provides that *a pre-bid conference may be conducted at the discretion of the BAC, in order to clarify and/or explain any of the requirements, terms, conditions, and specifications stipulated in the RFQ or Request for Price (RFP).*

- 6.4 Had the Management clarified the specification/requirement with the other respondent – supplier, and proceeded with negotiation for a lower cost than the price quoted by the winning bidder, Management could have procured at a price advantageous to the government.
- 6.5 Likewise, the Management could have considered the procurement of the desk calendar and journal separately, to obtain the lowest rate per item which could have saved government funds.
- 6.6 We recommended that Management considers conducting a pre-bid conference on SVP in compliance with Section 8.b.iv of Annex H of the RIRR of RA No. 9184 and exercise prudence in obtaining the most advantageous price for the government.**
- 6.7 Management commented that for contracts to be bid with an Approved Budget for the Contract (ABC) of less than P1 million, pre-bid conferences may be conducted at the discretion of the BAC. A pre-bid conference may also be conducted upon the written request of any prospective bidder, subject to the approval of the BAC.
- 6.8 Hence, to conduct a pre-bid conference on all procurement, regardless of amount and nature thereof, will cause a great toll on the members of the BAC and the BAC-TWG, who are functioning as such in a concurrent capacity and have their own primary functions under their appointed permanent positions.
- 6.9 In this case, the bidder with the lower bid was not compliant with the usual and regular requirements and specifications set by TIEZA. Surely, TIEZA would not award a contract to a bidder just because it was the lowest bidder, even if such a bid was not compliant. It cannot be ascertained that the conduct of a pre-bid conference can avoid non-compliance by the bidders because there have been previous instances where bidders would still fail to comply with the requirements despite the conduct of a pre-bid conference. With the non-compliance of the bidder with the lowest bid, RA No. 9184 directs BAC to evaluate and consider the next bidder and award said project upon determination of its compliance therewith. As long as the awarded contract price does not exceed the ABC, TIEZA cannot be said to be shorthanded.
- 6.10 We acknowledged Management's comment that they ensure compliance with the usual and regular requirements set by TIEZA.
- 6.11 However, we strongly encouraged that Management uphold, among others, the purpose of RA No. 9184 to promote commitment and adherence to the principles of economy. Knowing that a lower bid was proposed, TIEZA did not see it fit to extend an effort to negotiate for a lower bid. It is in the spirit of economy that TIEZA shall clarify the specification/requirement to prospective bidders through the conduct of a pre-bid conference and

proceed with negotiation for a lower cost than the price quoted by the winning bidder.

- 6.12 Hence, we maintained our recommendation that Management consider conducting a pre-bid conference on SVP in compliance with Section 8.b.iv of Annex H of the RIRR of RA No. 9184 and exercise prudence in obtaining the most advantageous price for the government.

**7. Unliquidated balance of P568.803 million due from Local Government Units (LGUs) and National Government Agencies (NGAs) were not properly accounted for and utilized, in violation of COA Circular No. 94-013 dated December 13, 1994.**

- 7.1 This is a reiteration of prior years' observation with modification as embodied in the CYs 2006 to 2021 AARs.
- 7.2 Recognizing the strategic significance of infrastructure to boost tourism in the country, TIEZA transfers funds to LGUs and NGAs to develop tourism-related projects.
- 7.3 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 are made of the utilization of the funds.
- 7.4 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.
- 7.5 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.
- 7.6 However, confirmation of *Due From LGUs/NGAs* accounts as of December 31, 2022, disclosed 26 replies for *Due from LGUs* with confirmed balances in the total amount of P23.199 million against the recorded amount of **P77.407 million** and 15 replies for *Due from NGAs* with confirmed balances in the total amount of P257.956 million against the recorded amount of **P491.396 million**, thus resulting in discrepancies of P54.208 million and P233.440 million, respectively or a total of P287.648 million.
- 7.7 Furthermore, four LGUs, although with the same balances per books of TIEZA, confirmed that the funds amounting to P1.227 million were not

utilized as of December 31, 2022. These projects were supposed to be implemented on the date of grants in CYs 2010 and 2006. Similarly, two LGUs with partial liquidation confirmed that the balances recorded in their books represent the project's remaining unexpended balance and hence should be returned to TIEZA. 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.

- 7.8 On the other hand, one NGA although with the same balance per books of TIEZA, confirmed that P150,000 was transferred to them but was neither utilized nor recorded because they do not have a Development Bank of the Philippines bank account; consequently, the accountant is willing to return the fund to TIEZA.
- 7.9 The majority of the discrepancies pertain to liquidations already taken up in the books of accounts of the LGUs and NGAs but not yet recorded in the books of accounts of TIEZA due to non-submission of liquidation reports. It is then possible that *Due from LGUs and NGAs* and *Subsidy to LGUs and NGAs* accounts are misstated, assuming that the records of the LGUs and NGAs are correct and no errors or irregularities were committed.
- 7.10 These accounts were fully provided with an allowance for impairment in compliance with COA Circular No. 2020-02 dated January 28, 2020.
- 7.11 Also, Financial Services Department (FSD) monitoring report showed that there are still some LGUs/NGAs that have not been sent with demand letters due to unknown addresses. In CY 2021, the majority of the LGUs/NGAs were issued with demand letters by the Management, however, follow-up letters issued during the year decreased by eight per cent compared to the previous year's report. It appears that the Management has become complacent in sending follow-up letters, thus discrepancies still exist. Liquidation documents will be reconciled and/or followed up on when they are submitted to FSD to reflect the correct balances in the books of accounts.
- 7.12 Management's actions to address the discrepancies in FT accounts were either insufficient or ineffective, most likely due to infrequent follow-up of the demand letters, and the possible lack of cooperation of some LGUs/NGAs, which is beyond the control of Management.
- 7.13 Proper observance of COA Circular No. 94-013 dated December 13, 1994, on the grant, utilization, and liquidation of funds transferred to implementing agencies is enjoined to ensure, among other things, that proper accounting and reporting are made on the utilization of funds.
- 7.14 Lastly, the Schedule of Aging of *Due from LGUs and NGAs* disclosed dormant accounts that are more than 10 years amounting to P25.070 million and P5.583 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.

**7.15 We reiterated our prior years' recommendations and Management agreed to:**

- a. Instruct the focal person of FSD to communicate directly with the concerned LGUs/NGAs. Aside from the regular mailing of demand letters, available alternative modes of communication, such as phone calls, chats, or electronic mail, are encouraged to facilitate the follow-up and submission of required liquidation documents;**
- b. Demand the return of FTs amounting to P1.377 million confirmed as unutilized and unexpended by the LGUs and NGA; and**
- c. Require the FSD in collaboration with the Legal Department to evaluate long outstanding accounts and file requests for the write-off of dormant accounts with the 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.**

**8. Inadequate application controls to ensure data accuracy and reliability in the Online Travel Tax Services System (OTTSS) resulted in data inconsistencies, erroneous data output, inaccurate collection, and unreliable system-generated reports which is not in accord with the provisions of COA Circular No. 2021-014 dated December 22, 2021.**

- 8.1** In cognizance of the long queuing of international-bound departing passengers at travel tax counters in airports and in accordance with TIEZA's Quality Policy to continually improve systems, processes, and prudent management of travel tax, TIEZA launched its OTTSS as part of its continuing effort to strengthen travel tax online payment. The OTTSS provides an easy and convenient way for departing passengers to pay the travel tax without the hassle of long lines.
- 8.2** The OTTSS is an in-house system developed by the TIEZA Management Information Systems Department (MISD) in collaboration with the Travel Tax Department (TTD). In contrast to the previous Online Travel Tax Payment System (OTTPS) used by TIEZA, the OTTSS now no longer requires account registration prior to payment for easy access by TIEZA's clients. The OTTSS caters to full travel tax payments and can accommodate group bookings with a maximum of five passengers in one transaction.
- 8.3** On June 8, 2022, TIEZA and I-Pay MYEG Philippines, Inc. (MYEG PH), an Electronic Payment and Collection Service (EPCS) provider, entered into a

Memorandum of Agreement (MOA), to provide payment gateway services and a back-up payment facility for the OTTSS. The MOA is effective for a term of five years commencing on the date of signing by the parties and shall be automatically renewed under the same terms and conditions unless sooner terminated, revised or revoked upon mutual agreement of its parties.

- 8.4 Based on the MOA, MYEG PH shall electronically transfer collections from the OTTSS on the next banking day to the designated depositary account of TIEZA. Shortfalls in the remittance of collections are subject to daily penalty of 1/10 of one per cent of the shortfall or deficiency. Also, MYEG PH shall ensure that the payment transactions are reflected in real-time at the payment portal and where a report file and other prescribed reports can be generated or downloaded to the TIEZA workstation not later than 9 am of the following banking day.
- 8.5 Section 5.1.3 of COA Circular No. 2021-014 dated December 22, 2021 states that *Government entities are required to design, implement and continuously review appropriate internal controls and procedures, including prevention and detection controls over the use of e-Collection and e-Payment Systems to safeguard the interest of the government.*
- 8.6 Validation of procedures and application controls for the period June 2022 to December 2022 transactions disclosed some system flaws in the OTTSS, indicating that the system is not yet working effectively as designed, or possibly the design in itself is still vulnerable to errors. It was observed that the field check validations and detection controls were inadequate to ensure the integrity and reliability of data and transactions. The lack of application controls resulted in the following deficiencies:
  - a. *The total number of successful transactions for the day cannot be ascertained, mainly due to the absence of dates in the “paid on” field on some of the successful transactions in the OTTSS.*
    - a.1 The reconciliation of the daily collection reports (DCRs) from the OTTSS back-end facility and the daily report file from the MYEG PH disclosed inconsistencies in the number of successful transactions. These were mainly caused by the absence of dates in the “paid on” field in the OTTSS.
    - a.2 Successful transactions should reflect the dates in the “paid on” field on the OTTSS, as it should be the reckoning date for the transfer of payment from MYEG PH to TIEZA, in accordance with the MOA provision that collections should be electronically transferred to the designated depositary account of TIEZA on the next banking day.
    - a.3 Conversely, we also noted some transactions with dates in the “paid on” field but without actual payments.



- a.4 Validation of the transactions disclosed that there were multiple recordings of transactions with the same reference number and with data on the “paid on” and “payment channel” fields but without actual payments.
  - a.5 Inquiry with the personnel who prepare the Report of Collections and Deposits (RCD) revealed that they are using the report from MYEG PH as the basis of their collections because there are inconsistencies and errors in the report generated from the OTTSS.
- b. *The OTTSS encountered transaction errors in the computation of total collections for group bookings, resulting in an under-collection of travel tax payments amounting to P9,720.*
- b.1 The OTTSS can accommodate group bookings with a maximum of five passengers in a single transaction. Validation of the system revealed that there were errors in the computation of total collections for some of the group bookings. In every group booking, one passenger was not charged by the OTTSS.
  - b.2 The travel tax collections were understated by P9,720 in CY 2022 because the discrepancies were not immediately discovered upon reconciliation of the DCRs. Six identified passengers were able to travel without the corresponding travel tax payment, wherein only five were able to pay in CY 2023 while the other one remains unpaid to date.
  - b.3 Section 4 of COA Circular No. 2021-014 dated December 22, 2021 prescribes that *the same accountability principles on all collections*, such as the designation of the person responsible/accountable, *shall be applied when an agency adopts the use of information and communication technologies (ICT) or digitalization of its collection system.*
  - b.4 The OTTSS has no detection control to prevent miscalculations of collections. The system should have prompted a notification that a transaction error occurred in the total amount of collection based on the number of passengers per transaction.
- c. *Acknowledgment Receipt (AR) Numbers were not generated on some of the successful and paid transactions in the OTTSS.*
- c.1 Section 5.2.2.a of COA Circular No. 2021-014 states that *the government entity shall require the intermediary to generate an electronic AR to be immediately issued to the payor via online, mobile or printed copy for every collection made.*
  - c.2 An AR Number is generated for every successful and paid transaction. For group bookings, all passengers within the same

transaction number may be on different flight dates and destinations, and will retain the same mobile number, e-mail address, and information for the first added passenger (Primary). Only one AR Number will be issued to the Primary passenger under the same transaction. Upon successful payment of individual and group bookings, the OTTSS must embed the same AR number for all passengers for the transaction.

- c.3 However, reconciliation on the OTTSS showed that some of the successful and paid transactions have no data on the AR Number field. The OTTSS should automatically embed an AR Number on all passengers, individual or group bookings, with successful and paid transactions for reconciliation purposes and client reference.
- d. *Transactions with either missing departure dates or departure dates prior to the application date were incorrectly processed by the OTTSS.*
  - d.1 One of the required fields in the OTTSS is the departure date of a passenger. Travel tax payment should be made before the date of departure, as it is a prerequisite to travel. However, we have noted that some transactions were paid even though the departure dates entered in the system were before the application date. Also, there were some transactions without departure dates but were processed by the system.
  - d.2 Input validation should happen as early as possible in the data flow, preferably as soon as the data is given by the external party. The system should have prompted this error to fill in or correct the data entered by the passenger.

**8.7 We recommended that Management requires the MISD, in cooperation with the TTD, to address the system flaws and ensure that system-generated reports are accurate and reliable by:**

- a. **Upgrading the OTTSS to include a validation check on the payment dates, the total amount of collection based on the number of passengers per transaction, and correct departure dates;**
- b. **Assigning an Accountable Officer for the system's shortage or overage;**
- c. **Embedding an AR Number on all successful and paid transactions; and**
- d. **Revisits the system design and implements appropriate control measures to ensure the completeness and accuracy of data pursuant to Section 5.1.3 of COA Circular No. 2021-014 dated December 22, 2021.**

- 8.8 Management commented that a report module was requested by the TTD on March 2023 to monitor TIEZA's transactions from the MYEG PH reported transactions. The MISD immediately developed the module and coordinated closely with the end-user. The developed module has been patched into the system, which includes the necessary codes, in May 2023, and thus, all transactions made by TIEZA and MYEG PH have already been synchronized starting January 2023.
- 8.9 For the under-collection of travel tax payments amounting to P9,720, Management commented that the errors happened randomly on different dates. After a series of meetings with the MISD programming team and MYEG PH, the root cause has now been identified and resolved.
- 8.10 The Management further commented that of the six passengers who used the multiple payment features of the system, five passenger payments were collected in CY 2023. While the remaining passenger disclosed that her travel tax payment was already included in her plane ticket. Thus, instead of paying an additional P1,620, an overpayment will be refunded to her.
- 8.11 The Audit Team acknowledged the Management's efforts to resolve the observations. However, the audit team cannot verify the Management's contention that the issues raised had been resolved, as the team was not yet given new access to the updated transactions in the OTTSS and the MYEG PH back-end facility. The audit team will revalidate the transactions as soon as access is available.
- 8.12 With regard to the under-collection, during the exit conference, the Management agreed to issue an office order to designate an accountable officer for the system's shortage or overage. Also, the MISD agreed to give the audit team new access to all the data from both the OTTSS and MYEG PH back-end facilities.

**9. The MYEG PH did not post intermediary's bond as required under Section 5.2.2.h of COA Circular No. 2021-014 dated December 22, 2021.**

- 9.1 Collect-Aggregate-Remit (CAR) refers to an e-collection scheme where the daily collections are done by the intermediary on behalf of its principal government entity and aggregated in the intermediaries' possession or control for a period before being remitted to the government entity's Authorized Government Depository Bank (AGDB) accounts or that of National Treasurer.
- 9.2 Section 5.2.2.h of COA Circular No. 2021-014 dated December 22, 2021, requires the posting of the bond under the CAR scheme, which provides that:
- 9.3 *"The intermediary shall be required to post the intermediary's bond in favor of the government entity as the beneficiary, a copy of which shall be provided to the Audit Team concerned. The bond shall cover any amount*

*collected by the former in the event that it fails to deposit the collections to the appropriated AGDB account within the prescribed period. The government entity shall, through the head of the agency, make it the duty of such intermediary to adjust the bond coverage as needed depending on the risk exposure, by contractual objection. The government entity shall require the submission of the bond before such intermediary be allowed to start collecting on its behalf."*

- 9.4 MYEG PH has the option to post a cash bond or surety bond from a reputable provider, equivalent to the full amount of fund exposed to risk or loss, or such other sum as may be prescribed by the government entity for its full protection. The bond shall answer for the non-remittance of collections or unliquidated funds.
  - 9.5 Upon request for proof of bond posted, the Management informed the audit team that no bond had been posted by MYEG PH and that they were not aware of such a requirement.
  - 9.6 Non-posting of a bond may expose the agency to the risk of collection losses and delay in remittance.
  - 9.7 **We recommended that Management requires the MYEG PH to post an appropriate amount of intermediary's bond based on their risk exposure.**
  - 9.8 Management commented that they already sent a letter dated May 30, 2023, to MYEG PH, requesting the immediate posting of an intermediary bond in compliance with COA Circular No. 2021-014 dated December 22, 2021. MYEG PH responded and is in the process of posting the required bond in the amount of P1 million based on the current daily average collection of P0.790 million from March to May 2023.
  - 9.9 The Audit Team recommended, and Management agreed to submit a copy of the bond once posted and any succeeding adjusted bond to be issued by the intermediary depending on their risk exposure.
- 10. The Management Representation Letter (MRL) was not submitted to the Audit Team, while the Auditability Clause was not included in the Memorandum of Agreement (MOA) between TIEZA and MYEG PH, contrary to Sections 5.1.4 and 5.1.6 of COA Circular No. 2021-014 dated December 22, 2021, respectively.**
- 10.1 Section 5.1.4 of the COA Circular No. 2021-014 dated December 22, 2021, *requires government entities to submit to their respective COA Audit Teams, within 60 days from the effectivity of the Circular and every March 31 thereafter, an MRL to attest their compliance to Section 5.1.3 of the Circular. The non-submission of the MRL shall be considered a high-risk indicator for the purpose of conducting information systems (IS) audit.*

- 10.2 Additionally, Section 5.1.6 of the same Circular *requires intermediaries to allow COA access to view, generate, download, and print any data/reports necessary to attain the audit objectives. This provision on access and audit of the government funds shall be expressly stated in the contract between the government entity and such intermediary.*
- 10.3 The Management has not submitted the required MRL for the OTTSS upon its implementation and for the supposed subsequent reporting period on March 31, 2023. Moreover, the Auditability Clause was not included in the MOA between TIEZA and MYEG PH. As such, the audit team has no access to the MYEG PH backup payment facility. For the OTTSS, aside from the successful transactions, the team has no access to generate the pending or failed transactions. All transactions are needed in the audit to verify the collections from the OTTSS and the remittances from MYEG PH.
- 10.4 We recommended and Management agreed to:**
- a. Submit the MRL for the OTTSS;**
  - b. Include the Auditability Clause in the succeeding contract with intermediaries; and**
  - c. Provide access to the audit team on all transactions of the OTTSS and MYEG PH backup payment facility.**
- 11. The outdated Rule XI of the 1979 Revised Implementing Rules and Regulations (RIRR) of Presidential Decree (PD) No. 1183<sup>1</sup>, as amended, allowing the retention period of travel tax collections from 30 to 45 calendar days by airlines, impedes the timely inflow of funds to the government.**
- 11.1 This is a reiteration of prior years' observation with an update as embodied in the CYs 2019 and 2021 AARs.
- 11.2 The travel tax is a levy imposed by the Philippine government on passengers leaving the country irrespective of the place of issuance of ticket and the form or place of payment.
- 11.3 TIEZA is the principal agency responsible for the timely collection of travel taxes. For the convenience of departing passengers, carriers or their agents can include the travel tax in the cost of the 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) (now TIEZA).*

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<sup>1</sup> AMENDING AND CONSOLIDATING THE PROVISIONS ON TRAVEL TAX OF REPUBLIC ACT NO. 1478 AS AMENDED AND REPUBLIC ACT NO. 6141, PRESCRIBING THE MANNER OF COLLECTION THEREOF, PROVIDING PENALTIES FOR VIOLATIONS THEREOF, AND FOR OTHER PURPOSES

- 11.4 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.*
- 11.5 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.
- 11.6 Rule XI of the RIRR states that travel tax collection shall be remitted by the carriers to the 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;
  - 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.
- 11.7 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 149th day after the date of collection.
- 11.8 Although late remittances of travel tax collections are subject to a 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 pales in comparison to the cost of money or the interest that could have been earned had the collections been remitted timely and subsequently invested by TIEZA in marketable securities.
- 11.9 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.
- 11.10 Since the Secretary of the Department of Tourism 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.
- 11.11 In compliance with our previous years' audit recommendation for the revision of Rule XI of the RIRR of PD No. 1183, as amended, TIEZA, through the Travel Tax Department (TTD), has requested the International Air Transport Association (IATA) for technical service on the direct remittance of travel tax from airlines. IATA is the trade association of the global airline industry.

- 11.12 In their proposal, IATA will act as a collecting agent for all airlines participating in Billing and Settlement Plan (BSP). Direct remittance from IATA will only include collection from travel agencies – excluding collection from the counter and web-issued tickets.
- 11.13 The schedule of remittance will be based on the proposed MOA between TIEZA and IATA and will not exceed the 15th and 30th of the succeeding month, as stated in Rule XI of the RIRR. Moreover, IATA has proposed a 1.5 per cent to 2.5 per cent transaction fee that will be charged on top of the existing travel tax rates, which will be shouldered by the passenger.
- 11.14 Further, TIEZA issued Office Order No. 083-2022 dated April 12, 2022, reconstituting the TIEZA Travel Tax Rules and Regulations Revision Committee (T3RC) and its Technical Working Group (TWG). The special committee has been continuously reviewing the rules and regulations that govern the procedure for the imposition of travel tax under PD No. 1183, as amended.
- 11.15 One of the proposed changes of the T3RC is the Remittance of Travel Tax Collections to:
- a. Section 1 – Commercial Carriers – Travel tax collections shall be remitted by the carriers, shipping companies or their agents to the TIEZA in the following manner:
    - a.1 Collections for the first 15 days of the month shall be remitted not later than the 30th of the same month; and
    - a.2 Collections for the period starting from the 16th to the end of the month shall be remitted not later than the 15th day of the succeeding month.
  - b. Section 2 – Non-commercial carriers – Travel taxes collected by charterers or owners of non-commercial carriers shall be remitted to the TIEZA not later than 15 days after completion of the flight or shipping arrangement.
- 11.16 The proposed provision would shorten the retention period to 15-30 days instead of 30-45 days under Rule XI of the RIRR of PD No. 1183, as amended.
- 11.17 On April 27, 2023, the T3RC conducted a meeting (via Zoom) with representatives of some of the airline companies to discuss the proposed reduction of the retention period for travel tax collections. One of the airline companies proposed an additional eight days from the collection, i.e., travel tax remittance for the first 15 days of the month shall be remitted on the 23rd of the next month.
- 11.18 The Audit Team acknowledged the efforts of the TTD; however, the proposed schedule of remittance with IATA would not shorten the retention

period but instead would retain the same remittance period as stated in Rule XI of the RIRR of PD No. 1183, as amended. The T3RC may consider reducing the retention period specifically for airline collections made through online bookings. Payment of travel tax via online booking only accepts full travel tax rates, which do not require any supporting documents; thus, it is feasible for airline companies to remit such collections on the next banking day.

**11.19 We reiterated our prior years' recommendations that the T3RC:**

- a. Fast-tracks its study on the subject matter, considering the best interests of TIEZA and the Government in general; and**
- b. Proposes to the Secretary of the Department of Tourism the revision of Rule 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 the T3RC's evaluation as approved by Management.**

11.20 Management commented that the Travel Tax Examination Division (TTED) has been in communication with the airlines regarding the requirement of the next-day remittance of travel tax to TIEZA. Several airlines have expressed their unfavorable response, stating that the proposed requirement is impractical due to the extensive process involved, which may take several days to complete. Nonetheless, some airlines have already taken the initiative to remit their collections before the prescribed collection period outlined in Rule XI of the RIRR of PD No. 1183, as amended. Moreover, the T3RC and its TWG, which was recently reconstituted, are working on a draft of the revised regulations. One of the amendments introduced is the shortening of the prescribed period for the remittance of travel tax collected by the airlines. The foregoing and all other proposed revisions and amendments are still being deliberated.

**12. Travel tax assessments amounting to P88.535 million due and collectible by TIEZA from different airlines companies remained unsettled/uncollected, depriving the Authority as well as other government agencies of additional funds needed for various projects.**

12.1 This is a reiteration of prior years' observation with modification as embodied in the CYs 2017 to 2019 AARs.

12.2 The Authority has long-outstanding collectibles from different airline companies pertaining to assessments made by the TTED due to (a) erroneous footings and unremitted collections, (b) violations, and/or (c) surcharges and penalties.

12.3 Records of the TTED disclosed that as of December 31, 2022, a total of P10.538 million pertains to current dues for the year and P77.997 million pertains to prior years' long-outstanding assessment accounts, inflating the



total uncollected travel tax assessments due from different airline companies to P88.535 million.

- 12.4 It has been the practice of TIEZA to record the travel tax assessments as income in the books of accounts only after the final reconciliation and actual collection, in order to preclude the recording of unrealized travel tax share of 40 per cent and 10 per cent for the Commission on Higher Education and National Commission on Culture and Arts, respectively, as mandated by Section 66 of Republic Act (RA) No. 9593, the Tourism Act of 2009. The assessments will only be considered realized and final upon the reconciliation of the TTED records and the airline companies' records. Moreover, in the absence of policy or guidelines regarding the matter, the TTED cannot immediately drop long-outstanding or dormant assessments from its records without following an acceptable procedure.
- 12.5 The bulk of outstanding assessments pertains to the account of Philippine Airlines (PAL) in the amount of P70.668 million, or 79.82 per cent of the total outstanding assessment of P88.535 million as of December 31, 2022.
- 12.6 On November 8, 2022, PAL settled its outstanding assessment for the period of Calendar Year (CY) 1999 to July 31, 2020, amounting to P6.364 million under Official Receipt No. 3685304 dated November 8, 2022. Moreover, PAL is requesting from TIEZA the necessary supporting records for the remaining assessments amounting to P70.190 million covering the period of CY 1998 and prior years for their audit. Accordingly, the TTED is still consolidating the supporting documents, considering the volume and period of the documents, which are more than 25 years old.
- 12.7 Moreover, a total of P0.624 million represents uncollected assessments from airline companies that have ceased operations. The Authority has no policy on dues from airlines that have ceased operations despite repeated audit recommendations, and thus, the foregoing amount remains outstanding as of December 31, 2022.
- 12.8 Notwithstanding the demand letters sent to different airlines to enforce collection, only P10.234 million was collected and reconsidered during CY 2022, a mere 11.60 per cent of the prior period's total uncollected assessments of P88.231 million. Nevertheless, given the low collection rate, the Authority is still in the process of filing legal actions against the erring airlines.
- 12.9 We reiterated our prior years' recommendations that Management:**
- a. Expedites the submission of the supporting documents for the long-outstanding assessments of PAL for reconciliation and subsequent collection of the same;**
  - b. Files the necessary legal actions against erring airlines to protect the interest of the Authority or disclose, if there is any, an alternative plan of action to effectively enforce collection; and**

- c. Sets a policy or guidelines on the assessments of travel taxes including dues from airlines that have ceased operations and from foreign debtors who have filed for bankruptcy, to allow the dropping of dormant accounts from the outstanding assessments after collection efforts have been exhausted and proved futile.**

- 12.10 Management commented that the reconciliation process covers 1998 and prior years, and the TTED has been actively working on retrieving the necessary documents. To date, the Authority has successfully retrieved and secured the documents for the years 1995, 1996, and 1998, which are available for reconciliation. The Management is exerting its efforts to retrieve the remaining documents and has already developed a systematic approach to ensure timely collection.
- 12.11 Furthermore, the Travel Tax Department (TAXD) had already provided the Legal Department with an update regarding the status of the outstanding travel tax assessments by the airlines involved. The latter is looking into the documents forwarded to its office prior to any subsequent legal action.
- 12.12 The TTED has initiated a request to the Securities and Exchange Commission (SEC) and is currently coordinating with the Civil Aeronautics Board (CAB) to obtain certifications. These certifications will serve as supporting documents to further substantiate the need for the write-off of their outstanding balances. They are currently waiting for the responses and issuances of the requested certifications from the aforementioned agencies before they can proceed with the write-off.
- 12.13 Lastly, the Management is working on a policy that will address those airlines that have already ceased operations. The policy development process is aligned with their efforts to revise the RIRR and provide a clear set of guidelines and procedures that will ensure fairness and proper handling of situations involving airlines that have ceased operations.

**13. Receivables amounting to P309.740 million remained dormant for five years to more than 10 years, necessitating the filing of requests for the write-off of receivable accounts with the Commission on Audit (COA) pursuant to COA Circular No. 2016-005 and COA Resolution No. 2016-022, both dated December 19, 2016.**

- 13.1 This is a reiteration of prior years' observation with modification as embodied in the CYs 2014 to 2019 AARs.

***Receivables***

- 13.2 COA Circular No. 2016-005 and COA Resolution No. 2016-022, both dated December 19, 2016, provide the updated guidelines, procedures, and delegation of lower adjudicating bodies of the COA regarding the approval of requests for write-off of dormant receivable accounts,

unliquidated cash advances, and fund transfers of National Government Agencies (NGAs), Local Government Agencies (LGUs) and Government-Owned and Controlled Corporations (GOCCs).

- 13.3 Our audit revealed that some of the receivable accounts have been non-moving for five years to more than 10 years; hence, necessitating the filing of request for authority to write-off said receivables to COA in accordance with the afore-mentioned COA Circular.

**13.4 *Accounts Receivable (AR)***

- a. This account consists of receivables derived from different income-generating operations such as rental of properties, meals and accommodations from hotels, restaurants, and different tourist facilities of TIEZA entities, including former entities devolved to various LGUs.
- b. Out of the outstanding receivables of P253.867 million, 15.69 per cent, or P39.828 million, remains outstanding for five years to more than 10 years as of December 31, 2022.
- c. On March 28, 2022, the Financial Services Department (FSD) submitted their request to write-off unrecoverable AR and Other Receivables in the amount of P44,817, which the audit team granted after supporting documents were found to be in order in accordance with the updated guidelines and procedures of Circular No. 2016-005 and COA Resolution No. 2016-022. Furthermore, the audit group Cluster Director granted the write-off of unrecoverable AR and Other Receivables totaling P1.679 million based on the Agency's request on July 25, 2022.

**13.5 *Interests Receivable (IR)***

- a. This account pertains to the recognition of accrued interest income in the amount of P3.823 million for the period April 5, 1989 to March 31, 1998 on the loan contract entered by and between the Philippine Tourism Authority (PTA), now TIEZA, and Metro Cebu Water District (MCWD).
- b. Specifically, the P3.823 million relates to the discrepancy in the method of computing interest, wherein TIEZA used the compounded interest method while MCWD used the simple interest method. TIEZA's calculation was based on Article IV of the Loan Agreement, on Repayment of the Loan/Interest which states that *the BORROWER shall pay interest at the rate of nine per cent per annum, commencing from the time of availment, on the outstanding balance of said loan provided however, that pending completion of the project, interest shall be computed and will be incorporated in and form part of the loan.*
- c. To date, Management is still not able to reconcile the IR account with MCWD due to the non-submission of data on the period of project

completion to be used as the basis for the reconciliation. As such, the IR remains outstanding and non-moving in the books of accounts of TIEZA from 2003 to 2022, or for more than 19 years.

**13.6 *Loans Receivable – Others (LR)***

- a. This pertains to the LR from Marbella Club, Inc. consisting of the principal amount of P62.596 million since May 8, 1992 and the interest of P84.262 million computed as of October 3, 2002, for a total of P146.859 million, which remains outstanding and non-moving from 1992 up to 2022 or for more than 30 years.
- b. The loan agreement, supporting documents, and status of the loan have not been submitted to the audit team to date, despite prior years' requests on the matter.

**13.7 *Due from Government Corporations***

- a. Out of the total funds transferred to various GOCCs amounting to P106.275 million as of December 31, 2022, P57.989 million, or 54.57 per cent, remain outstanding in the books of accounts for five years to more than 10 years. These cover fund transfers to different GOCCs such as Corregidor Foundation, Inc. (CFI), Government Service Insurance System, Mactan Cebu International Airport Authority, Kang-Irag Complex, Tourism Promotions Board (TPB), Bases Conversion and Development Authority, and Welfare Fund.

**13.8 *Due from Non-Government Organizations / People's Organizations (NGOs/POs)***

- a. Out of the funds transferred to different NGOs/POs amounting to P21.770 million, P4 million, or 18.37 per cent, remains dormant in the books of accounts for five years to more than 10 years. These were given to different NGOs/POs, such as Aguman Ding Kapampangan, Inc. Davao Chapter, Philippine Surfing Federation Inc., and Tubbataha Reefs Natural Park Program and Equipment.

**13.9 *Other Receivables***

- a. Out of the total other receivables of P66.058 million, P57.242 million, or 86.65 per cent, remains uncollected and outstanding in the books of accounts for five years to more than 10 years, consisting of receivables from disbursing officers and employees who are no longer active employees; non-trade receivables from Aklan Electric Cooperative, Cuisine of the Philippines and Gulf Resort, Inc.; and other receivables from TIEZA entities.

- 13.10 Despite being dormant, these accounts were fully provided with an allowance for impairment in accordance with COA Circular No. 2020-02

dated January 28, 2020; thus, accounts are fairly presented in the books of accounts as of December 31, 2022.

- 13.11 We recommended and Management agreed to require the FSD, in collaboration with the Legal Department, to continue filing requests for authority to write-off dormant accounts with the 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.**
- 14. The late processing of the building permit for the Rehabilitation of Olongapo Museum project due to the absence or lack of proper coordination with the Subic Bay Metropolitan Authority (SBMA) resulted in the delayed implementation of the project.**
- 14.1 TIEZA entered into a contract with the Contractor on August 23, 2021 to undertake the Rehabilitation of Olongapo Museum at Subic, Zambales. It was set to be implemented for 180 calendar days from September 13, 2021 to March 11, 2022, however, the project only started on August 21, 2022 or 342 calendar days delayed.
- 14.2 On the other hand, the Memorandum of Agreement (MOA) by and between TIEZA and the SBMA was executed only on January 4, 2022, several months after the contract with the Contractor and the TIEZA was perfected.
- 14.3 Article II.B.1 of the said MOA states that *the SBMA shall secure and facilitate the issuance of all appropriate permits, licenses, environmental clearances, and all other clearances free of charge including the payment of corresponding fees from the respective national government agencies and local government units thru government-to-government transactions to facilitate increased efficiency and communication of both parties to better serve citizens.*
- 14.4 The significant delay was caused by the suspension order issued by TIEZA on October 11, 2021, due to the absence of a building permit and contractor's accreditation with the SBMA. Examination of the Approved Budget for the Contract showed that costs for permits, clearances, and other government taxes were not included in Part B: Other General Requirements of the Program of Works and Estimate; thus, it is clear that it is not the obligation of the contractor to secure the building permit. Rather, it is SBMA's responsibility, as provided in the above-cited provision of the MOA between TIEZA and SBMA. Had the TIEZA properly communicated with the SBMA on the issuance of the building permit and the contractor's accreditation, implementation of the project could have been on time and would not have waited for almost a year to commence the project.
- 14.5 The Notice of Work Suspension was effective on October 14, 2021, whereas the Resumption Order was received by the Contractor on August 15, 2022, which is equivalent to an elapsed time of 10 months or

305 days. It is worth mentioning that the suspension of work or activities was not due to any fault of the Contractor since securing a building permit was not included in the works to be undertaken by the Contractor. Hence, based on Section 10.3 of Annex E of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, the elapsed time between the effective order of suspending work and the order to resume work shall be allowed by adjusting the contract time accordingly, which is prejudicial to the interest of the government.

**14.6 We recommended that Management:**

- a. Ensures proper coordination and communication with various proponents, and meticulously plans and execute pre-construction activities, such as securing government permits and clearances, to effectively implement projects; and**
- b. Ensures that the sanctions or measures provided in Article III – Other Provisions in the MOA, in the event the proponent violates the terms and conditions of the said agreement, shall be enforced by TIEZA to ensure faithful compliance with the terms and conditions of the contract.**

14.7 Management commented that proper coordination and communication were diligently conducted with the different project proponents. More detailed planning and pre-construction activities were implemented, including the process of obtaining government permits and clearance for the effective completion of the project. However, the following factors contributed to the delay of the said project:

- a. SBMA officials requested TIEZA to submit the plans for their perusal;
- b. SBMA has requested to revise the MOA of the infrastructure project;
- c. There was a protocol concerning the contractor's accreditation.

14.8 At any rate, the Management has undertaken to impose the necessary sanctions on erring proponents should there be any violations in the terms and conditions of the contracts to ensure compliance with their contractual obligations.

14.9 The Audit Team emphasized that the main reason for the suspension was due to the absence of a building permit, as it is clearly stated in the Notice of Suspension dated October 11, 2021, and the Notice of Resumption dated July 18, 2022. The three cited factors do not warrant the suspension of the project because they should have been properly addressed prior to the conduct of bidding or during the planning phase of the project.

**15. The advance payment equivalent to 15 per cent of the contract amount, or P7.468 million, for the Rehabilitation of Olongapo Museum was paid despite the suspension of the project.**

15.1 On October 12, 2021, the Architectural and Engineering Services Sector (AESS) recommended to the Accounting Division the payment of the mobilization fee of the Contractor, even though the project had already been suspended on October 11, 2021. As a result, the payment was released to the Contractor on November 24, 2021, under Check No. 75306793, amounting to 15 per cent of the contract amount, or P7.468 million.

15.2 Mobilization costs are the expenses that contractors incur to organize, assemble, and transport equipment and materials to a job site before construction work begins. Since the project was suspended due to the absence of a building permit from the local government unit, which is required before the implementation of the project, such mobilization fee or advance payment should not have been released and paid to the Contractor.

**15.3 We recommended that Management:**

- a. Instructs the Accounting Division to properly verify and validate the documentation and status of a project in processing disbursement vouchers (DVs) before the release of check payments to contractors; and**
- b. Requires the AESS to properly assess and evaluate the project prior to recommending payment for the claims of contractors and to explain the AESS's action in recommending payment of mobilization fee despite their knowledge or cognizance of the suspension order issued to the contractor.**

15.4 Management commented that the AESS has always been in close coordination with the Accounting Division in verifying and validating the documentation status of a project prior to the release of payments to contractors. However, for this project, the date of mobilization was erroneously relayed and entered.

15.5 Management also commented that the FSD will propose to the Construction Management Department an additional statement on the Project Engineer's certification stating that there is no current request for work suspension from the contractor or that the project is not suspended or terminated to prevent the release of advance payments if the project is suspended.

**16. TIEZA did not implement the calibrated measure provided under Section 4.2.2 of Government Procurement Policy Board (GPPB) Circular No. 03-219 dated March 8, 2019, when the Contractor incurred negative slippages while the Rehabilitation of the Olongapo Museum project is ongoing.**

- 16.1 One of the significant considerations for the government when entering into a contract is the timely completion of infrastructure projects to achieve its desired benefits and outcomes. In effect, the contracting parties are bound to adhere faithfully to the agreed terms and conditions of the contract.
- 16.2 GPPB Circular No. 03-219 dated March 8, 2019 adopted calibrated actions in response to delays in the implementation of infrastructure projects to ensure the timely implementation of infrastructure projects and effective management of the performance of contractors.
- 16.3 Section 4.2.2 of the Circular provides that *when the negative slippage is 10 per cent, the contractor shall be issued with a final warning and be required to come-up with a revised detailed “catch-up” program with weekly physical targets together with the required additional input resources. The implementing unit shall intensify on-site supervision and evaluation of the project performance to at least once a week and prepare contingency plans for possible termination of the contract or take-over of the work by administration or contract.*
- 16.4 Examination of DV No. SF-2022-12-5415 with Check No. 79120574 dated December 14, 2022 for the first partial payment of the Rehabilitation of Olongapo Museum project disclosed a recomputed negative slippage of 13.52 per cent as of November 11, 2022.
- 16.5 The Inspection Report of the project engineer (PE) as of November 11, 2022 noted that there was only 4.46 per cent negative slippage because he reckoned the resumption of the project on September 1, 2022, instead of August 21, 2022, as per his revised timetable. Thus, the negative slippage as of November 11, 2022 should be at 13.52 per cent.
- 16.6 On March 2023, when the audit team asked the PE on the status of the project, it was only then that he visited the project site and noted that the Contractor has temporarily stopped the construction. Had the Management correctly computed the negative slippage as early as November 2022, they may have intensified their on-site supervision and properly evaluated the Contractor’s performance. Also, Management may have considered preparing contingency plans for possible termination of the contract or take-over of the work by administration or contract in compliance with Section 4.2.2 of GPPB Circular No. 03-219.
- 16.7 Moreover, Section 9.1, Annex E of the 2016 RIRR of RA No. 9184 states that *once the contract duration expires, the Procuring Entity shall impose upon the contractor in default liquidated damages (LD) equal to at least one tenth of one per cent of the cost of the unperformed portion of the works for every day of delay.*



- 16.8 Likewise, Section 9.4. of the same Annex E states that *in case the total sum of LD reaches 10 per cent of the total contract price, the Procuring Entity has the options to (a) terminate the contract pursuant to the Guidelines on Termination of Contract and forfeit the erring contractor's performance security or (b) allow the contractor to continue the works without prejudice to the continued imposition of LD until the works have been completed.* This does not, however, preclude the Procuring Entity in resorting to Termination of Contract under Annex I of the 2016 RIRR of RA No. 9184.
- 16.9 The revised completion date for the project is February 16, 2023; however, as of this date, the project is still unfinished, and the negative slippage is already more than 15 per cent. Had the Management been efficient in supervising and monitoring the project implementation, delays could have been avoided or remedial actions could have been instituted to address the poor performance of the Contractor.
- 16.10 We recommended that Management:**
- a. Recomputes the negative slippage and impose liquidated damages for every day of delay to properly account for the remaining balance of the Contractor; and**
  - b. Considers the termination of the contract and initiates an immediate take-over process to facilitate the completion of the project; otherwise, provide justification why Management will allow the Contractor to continue the unfinished work.**
- 16.11 Management commented that an error was made in the computation of slippage because the construction schedule used was not the usual document duly issued and approved by the Authority. Rather, the document was prepared by the contractor for bidding purposes. Accordingly, the Management assured us that the error will neither happen again nor will it be tolerated. The contractor had submitted the corrected documents with the approval of the Authority.
- 16.12 The Management assured that they will be compliant with existing laws, policies, rules and regulations.
- 16.13 As an audit rejoinder, the audit team emphasized that Section 37.2.3(f) of the RIRR of RA No. 9184 provides that construction schedule and S-curve are among the necessary documents that shall form part of a contract, hence, should have been finalized and approved by the Authority before the implementation of the project.

17. The detailed bid evaluation and post-qualification procedures conducted by the Bids and Awards Committee – Technical Working Group (BAC-TWG) for the Asset Rehabilitation Plan of the Lights and Sound Museum (LSM) were inadequate to verify, validate, and ascertain the veracity of the documents submitted by the bidder, as required under the provisions of the GPPB Manual for the Procurement of Infrastructure Projects and the related provisions of the 2016 RIRR of RA No. 9184.

17.1 *A similar set of equipment requirements was pledged by the same bidder for the two projects awarded by TIEZA, contrary to No. 2, Step 6, Section 3, of the GPPB Manual.*

- a. On January 27, 2020, TIEZA posted an Invitation to Bid for the Asset Rehabilitation Plan of the LSM project, and only one prospective Bidder responded to the invitation. The project was awarded to the Bidder on June 9, 2020, and TIEZA entered into a contract agreement on August 27, 2020, with a contract cost of P20.999 million.
- b. Step 6: Post-qualify (Item No. 2 – When does post-inspection entail), Section 3, Instructions on the Procedural Steps for the Procurement of Infrastructure Projects of the GPPB Manual states that:

*“2. Technical Requirements under Post-qualification criterion means that the BAC would have to verify, validate and ascertain the veracity of the documents submitted by a contractor to prove compliance of the infrastructure project it offered with the requirements of the contract and bidding documents. This involves the following processes:*

- a. *Xxx*
- b. *Verification of availability and commitment, and/or inspection and testing, of major equipment units to be owned/leased/under purchase by the bidder for use in the contract under bidding, as well as checking the performance of the bidder in its ongoing government and private contracts, if any of these ongoing contracts shows:*

- *Xxx*
- *Xxx*
- *That there are overlaps in the proposed utilization of the minimum required equipment with those equipment in the ongoing works of the contractor.*

*Any of which will be a ground for disqualification from the award of the contract if verified by the BAC to be due to the bidder’s fault or negligence.”*

- c. The Bid Data Sheet (BDS) for the Asset Rehabilitation Plan of LSM enumerated the minimum major equipment requirements for the project, such as basic construction tools, concrete mixer, concrete vibrator,

plate compactor, welding machine, bar cutter, and dump truck. These items were all pledged by the Bidder exclusively for the duration of the said project, which was certified under oath through a statement of exclusivity dated February 15, 2020.

- d. Review of the other technical documents submitted by the Bidder showed that they have an ongoing project with TIEZA awarded on December 4, 2019. Coincidentally, the same ongoing project was under review by the audit team; hence, a comparison was made between the bidding documents. We then found out that the same set of equipment requirements had been pledged by the current bidder and the contractor of the ongoing project. All the submitted sales invoices and official receipts were the same and exact copies of the bidding documents submitted for the ongoing project.
- e. Also, the ongoing project has a project duration of 120 calendar days, which started only on January 21, 2020. Therefore, during the submission of bidding documents for the Asset Rehabilitation Plan of LSM, such equipment requirements were already deployed on the ongoing project's site in Buguey, Cagayan. Such an act by the bidder should have been a ground for disqualification from the award of the contract if it was properly verified by the BAC to be due to the fault or negligence of the bidder, as stated in the above-mentioned GPPB Manual.
- f. One of the BAC and BAC-TWG post-qualification duties under the said GPPB Manual is to verify, validate, and ascertain the veracity of the documents submitted by a bidder, including the commitment of equipment units to be used in the project, as well as to check the performance of the bidder in its ongoing government and private contracts. However, the post-qualification report prepared by the BAC-TWG did not address any of the said issues and recommended the award of the project to the Bidder.
- g. Possible overlaps in the use of equipment requirements might have contributed to the construction delays on both of the projects awarded to the Bidder.

17.2 *The Philippine Contractors Accreditation Board (PCAB) registration of the Bidder was not in accordance with the requirements of its BDS and Section 23.1(a.vi) of the 2016 RIRR of RA No. 9184.*

- a. Item 5.1 of the project's BDS listed the following eligibility requirements to be complied with: *PCAB – Building Small B with specialties in Electrical and Mechanical (air-conditioning works or approved equivalent).*
- b. Moreover, Section 23.1(a.vi) of the RIRR of RA No. 9184 states that *for the purposes of determining the eligibility of bidders in the case of procurement of Infrastructure Projects, a valid PCAB License or Special*

*PCAB License in case of Joint Ventures, and registration for the type and cost of the contract to be bid shall be required by the BAC, using the forms prescribed in the Bidding Documents.*

- c. RA No. 9184 sets the eligibility requirements to guarantee that only qualified and capable bidders or contractors are taken into consideration for a specific project or contract. Also, it warrants that the bidder has the necessary qualifications, experience, and resources to perform the work required to ensure the success of the project and minimize the risk of delays or other issues.
- d. However, we have noted that the Bidder's PCAB registration was for Road, Highway Pavement, Railways; Irrigation and Flood Control; and Building and Industrial Plant only. The required specialization for Electrical and Mechanical Works, such as air-conditioning works, as per the above-mentioned requirement of the BDS, was not included in the Bidder's PCAB registration classification. Despite this, the technical documents of the Bidder passed the detailed bid evaluation and post-qualification.
- e. Non-compliance with the above-cited provisions of the BDS and the RIRR of RA No. 9184 may possibly affect the efficient delivery and quality of service provided to the intended users of the project.

17.3 *The Department of Public Works and Highways (DPWH)-approved and the Department of Labor and Employment (DOLE)-concurred Construction Safety and Health Program (CSHP), as required under Section 37.2.3(f) of the RIRR of RA No. 9184 and DPWH Department Order (DO) No. 35, series of 2021, was not submitted by the bidder.*

- a. Section 37.2.3(f) of the RIRR of RA No. 9184 states that *the CSHP approved by the DOLE shall form part of the contract.*
- b. Also, Section 31.4(f) of the project's BDS states that *the CSHP approved by the DOLE shall be submitted when claiming advance payment.*
- c. On the other hand, DPWH DO No. 35, series of 2021 states that the following guidelines on the contractor's compliance and submission of CSHP shall be implemented:
  - c.1 *Contractor must present proof of submission of its DPWH-approved CSHP, albeit pending concurrence by DOLE, for its claim for advance payment or first billing to be processed.*
  - c.2 *Within six months from receipt of the advance payment or first billing, the contractor shall comply and submit its DPWH-approved CSHP, duly concurred to by DOLE. Otherwise, its subsequent billings shall be withheld until the contractor has complied and submitted its DOLE-concurred CSHP, except if non-compliance*

*therefor by the contractor is due to fortuitous events or circumstances beyond the control of the contractor. In the latter case, no claims for release of retention money shall be processed until such time that the contractor has submitted its DOLE-concurred CSHP.*

- d. Review of the bidding documents showed that the submitted CSHP of the Bidder was neither approved by the DPWH nor concurred by the DOLE, and no documentation was presented as proof of submissions to both Departments.
- e. Also, an examination of all the disbursement vouchers (DVs) from the advance payment up to the final payment and release of the retention fee showed that the winning bidder did not submit the required DPWH-approved and DOLE-concurred CSHP.
- f. The CSHP is a requirement to ensure the protection and welfare of all employed construction workers and the general public that is within or around the site of construction. It also assures safety and harmony among workers and contractors involved in construction or renovation projects.
- g. However, strict compliance with the above-mentioned criteria was not being implemented by the Management, posing risk or danger to the health and safety of the workers as well as the general public.

**17.4 We recommended that Management:**

- a. **Provides justification why the BAC and BAC-TWG awarded the project to the Bidder despite the deficiencies noted above;**
- b. **Revisits and reviews the detailed bid evaluation and post-qualification procedures of the BAC and BAC-TWG pursuant to the GPPB Manual for the Procurement of Infrastructure Projects and the related provisions of 2016 RIRR of RA No. 9184 to properly verify, validate, and ascertain the veracity of the documents submitted by a bidder, and to prove compliance with the bidding document requirements prior to the award of the contract; and**
- c. **Requires all succeeding winning bidders to submit the DPWH-approved and DOLE-concurred CSHP to comply with Section 37.2.3(f) of the RIRR of RA No. 9184 and DPWH DO No. 35, series of 2021.**

**17.5 Management commented the following:**

- a. The BAC and BAC-TWG were not informed as to the progress of the Buguey Project. They only rely on the bid documents, and maybe that was the reason why they inadvertently failed to discover the deficiency. Moreover, the bidding was on the verge of the COVID-19 pandemic,

which constrained the government offices, including TIEZA, to adopt irregular work arrangements, which may have caused the error.

- b. The BDS for the LSM Project requires the bidders to have a valid PCAB License, Building Small B, with specialties in Electrical and Mechanical works, or “approved equivalent”. The bidder’s PCAB classification was General Engineering (General Building) B, with registration particulars of Small for Roads, Highways, Railways, Airports; Irrigation and Flood Control; and Building and Industrial Plant. Although there were no particulars for electrical and mechanical works, their classification as general engineering may be considered equivalent capabilities. The Industrial Plant category covers the construction of power generating plants and power transmission and distribution. Surely, if the bidder was registered in the said category, the Management assumed that they were also capable of performing electrical and mechanical work for the LSM Project.
- c. It is only upon the issuance of the Notice of Award that the winning bidder is supposed to submit the CSHP with the other documents required under Section 37.2.3 of the RIRR of RA No. 9184. Accordingly, non-submission of the CSHP with the technical and financial bids is not a ground for disqualification. DOLE-approved CSHP is only required upon the contractor’s billing. Unfortunately, the BAC and BAC-TWG are not being updated or advised with regard to the payment of contractors. Upon award and issuance of the Notice to Proceed, the implementation, monitoring, and payment thereafter are lodged with other offices.
- d. Nevertheless, the Management stressed that the Contractor was able to submit a CSHP but was not approved by the DOLE. The protection and welfare of all employed construction workers and the general public that were within the vicinity, as well as the safety and harmony among workers, were duly considered by the Contractor. In order to ensure the submission of a DOLE-approved CSHP, the Management will require the CSHP or proof of submission thereof to DOLE prior to the signing of the contract. A contract will not be awarded, and no Notice to Proceed will be released to a winning bidder without the CSHP.

- 17.6 Nonetheless, the Management committed to revisit and review the detailed bid evaluation and post-qualification procedures of the BAC and BAC-TWG in order to properly verify, validate, and ascertain the veracity of the documents submitted by a bidder.

**18. The validity period of the P6.299 million warranty bond posted for the Asset Rehabilitation Plan of the LSM project was only up to the issuance of the Certificate of Final Acceptance (CFA), contrary to Section 62.2.3.4 of the RIRR of RA No. 9184.**

- 18.1 Section 62.2.3.4 of the RIRR of RA No. 9184 states that *the warranty security shall be denominated in Philippine Pesos, remain effective for one*

*year from the date of issuance of the CFA by the Procuring Entity, and returned only after the lapse of the said one year period.*

- 18.2 Our audit of the DV for the final payment with Check No. 79121716 dated February 23, 2023, disclosed that the warranty bond of P6.299 million, issued by Sterling Insurance Company on behalf of the Contractor, was valid from February 20, 2023 until the issuance of the CFA, which was not in accordance with the above-cited provision of the RIRR.
  - 18.3 Furthermore, since the CFA or Turn-Over and Acceptance was issued by the Management on January 24, 2023, the effectivity date of the warranty bond becomes invalid and thus automatically expires.
  - 18.4 Non-compliance with the validity period may not hold the contractor responsible for any possible structural failures and defects, which are traceable to poor workmanship, use of inferior quality/substandard materials, and non-compliance with the plans and specifications of the contract.
  - 18.5 **We recommended and Management agreed to require the Contractor to correct the validity period of the Warranty Bond to comply with Section 62.2.3.4 of the RIRR of RA No. 9184 and submit a certified copy to Commission on Audit (COA) for attachment to the Disbursement Voucher.**
19. **The grant of 294 days partial suspension for the Asset Rehabilitation Plan of the LSM project due to the failure of the Contractor to furnish the materials for tile works was too long as the accounted weight for the said scope of work was only 2.7 per cent of the total works, thereby the consequent delay in the completion of the project may not be justifiable.**
- 19.1 Examination of DV with Check No. 79118435 dated May 23, 2022 for the third partial billing payment for the Asset Rehabilitation Plan of the LSM project disclosed that on June 16, 2021, the Contractor requested a time extension for the tile works in the lobby and stairs because of the delayed production of tiles manufactured by the local supplier. Because of the COVID-19 pandemic, the local supplier's production capacity and skeleton workforce were reduced hence, they committed to complete the Contractor's order on or before August 13, 2021.
  - 19.2 On the other hand, based on the Progress Inspection Report No. 14 dated June 16, 2021, the Project Engineer recommended the Management grant a partial work suspension rather than a time extension since the actual target date of delivery was unpredictable. As a result, the Notice of Partial Work Suspension was issued and accepted by the Contractor on the same day, which lasted for 294 calendar days, from June 16, 2021 to April 6, 2022.

- 19.3 Denying the request for time extension of the Contractor was compliant with Section 11.2 of Annex E of the RIRR of RA No. 9184, which states that no extension of contract time shall be granted to the contractor due to inexcusable failure or negligence to provide the required equipment, supplies or materials.
- 19.4 However, considering that the local supplier estimated a maximum completion time of 90 days for the tile work based on their certification, the grant of a 294-day work suspension may not be acceptable. Analysis of the project accomplishment report revealed that the scope of works for the replacement of tiles at the ground floor and second floor lobby, main stairs, and offices was only 2.7 per cent of the total works, and yet, the work suspension ordered was 294 days, resulting in almost a year delayed in project completion.
- 19.5 **We recommended that Management:**
- a. **Adopts additional monitoring procedures and include them in the duties and responsibilities of the Project Engineers to ensure that procurement of materials and supplies is appropriately planned by the contractors before the start of the project to avoid delays; and**
  - b. **Requires the Project Engineers to thoroughly ensure that work suspensions are authorized only for valid reasons and granted within a reasonable period.**
- 19.6 Management agreed to direct all its Project Engineers to authorize suspension of work only for valid reasons. The Management also assured that the concerned departments are performing their respective functions in accordance with the provisions of RA No. 9184, albeit some mistakes and lapses, which may be brought about by the numerous activities being undertaken and voluminous papers being reviewed. Nevertheless, they committed to continuously advance transparency, legality, and open competition in all procurement of TIEZA and faithfully abide by the procedures of RA No. 9184 and its RIRR.
20. **Advance payments to contractors amounting to P15.881 million from projects that were terminated, completed, and dormant were not recovered and remained in the books of accounts, showing Management's lack of action to recoup the payments from the contractors or insurance companies.**
- 20.2 This is a reiteration of prior years' observation with an update as embodied in the CYs 2016 to 2021 AARs.
- 20.3 Advance payments to contractors of infrastructure projects are allowed under Section 4.1, Annex E of the RIRR of RA No. 9184, which states 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 15 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.*

- 20.4 Also, Section 4.3 of the same Annex states that *the advance payment shall be repaid by the contractor by deducting 15 per cent from his periodic progress payments for a percentage equal to the percentage of the total contract price used for the advance payment.*
- 20.5 During our audit, we noted that the *Advances to Contractors* account had an outstanding balance of P60.206 million as of December 31, 2022. Out of P60.206 million, P15.881 million pertains to completed, terminated, and long outstanding projects that have not been recouped by management and have remained outstanding in the books of accounts as follows:

<b>Particulars</b>	<b>Amount (in millions)</b>
Completed Projects	P2.222
Terminated Projects	1.673
Long Outstanding Projects	11.985
<b>TOTAL</b>	<b>P15.881</b>

- 20.6 Based on the Agency Action Plan and Status of Implementation as of June 2022, the Legal Department and COMD assured that diligent efforts are being exercised to collect and recover the reported advances through the sending of demand letters. The audit team then requested copies of the demand letters from the COMD to validate their implementation; however, they forwarded the team to the Legal Department. According to the latter, they have already requested an opinion from the Office of the Government Corporate Counsel (OGCC) on legal remedies they can pursue to recover the advances. But to date, the team has not received any documentation, if any, to validate the actions of the Management.
- 20.7 As clarified by the Management in previous year's Audit Query, the contractors were at fault for the termination of the listed projects. However, it appears that Management did not take advantage of the remedies, at the time of termination, provided by the RIRR of RA No. 9184 to demand recoupment from the contractors or insurance companies that issued securities as follows:
- Standby letter of credit or guarantee instrument covering the advance payment as provided under Section 4.2 of Annex E; and
  - Irrevocable standby letters of credit of a commercial bank, bank guarantees, or surety bonds callable on demand in the case of substituted retention money as provided under Section 6.2 of Annex E.
- 20.8 Unrecouped advances amounting to P15.881 million continue to pile up, preventing the Management from using such funds for agency operations or the funding of other major programs, projects, and activities.

- 20.9 **We reiterated our prior years' recommendation that Management demands 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.**
- 20.10 Management commented that the concerned departments are currently reviewing their records and files to properly identify erring contractors and insurance companies for terminated, completed, and dormant projects with unrecovered advances. Thereafter, the same shall be endorsed to the OGCC for the filing of the appropriate action.
- 20.11 Moreover, the Management agreed to implement more effective scheme to promptly demand recoupment of the unrecovered amount in favor of TIEZA, as provided under the RIRR of RA No. 9184.
- 20.12 The Audit Team will monitor compliance to our recommendation.
21. **The Authority incurred delays in the preparation and signing of contracts with the winning bidders contrary to Section 37.2.2 of the 2016 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.**
- 21.1 This is a reiteration of prior years' observation with modification as embodied in the CYs 2016 to 2021 AARs.
- 21.2 Section 37.2.2 of the 2016 RIRR of RA No. 9184 states *that the procuring entity shall enter into contract with the winning bidder within 10 calendar days after issuance and receipt of Notice of Award, provided that all the documentary requirements are complied with.*
- 21.3 Notwithstanding the issuance of Audit Observation Memoranda (AOMs) on delayed preparation and signing of contracts since 2016, it has been observed that up to the present, execution of contracts within the prescribed period had not been complied with by the Management. Of the 29 contracts received by the audit team in CY 2022, 18 contracts amounting to P408.549 million incurred delays ranging from two to 80 calendar days in the preparation and signing of contracts, which is contrary to the above-cited Section of the RIRR of RA No. 9184.
- 21.4 On January 10, 2023, OGCC Memorandum Circular (MC) No. 2023-1 was issued, stating that *as the principal law office of the Government-Owned and –Controlled Corporations (GOCCs) and to protect the legal rights and interests of the government, the former has the duty to review draft contracts referred to by the latter before execution.*

- 21.5 In relation thereto, Section 4.3 of Governance Commission for GOCCs (GCG) MC No. 2018-02 dated January 3, 2018 provides that *GOCCs shall ensure that all agreements entered by them, including, but not limited to, those involving Major Development Projects and Major Contracts, shall not be grossly disadvantageous to the government. Thus, the required favorable legal opinion and/or contract review by the OGCC shall be secured by the GOCC before entering into said agreements.*
- 21.6 On May 12, 2023, OGCC MC No. 2023-03-A was issued to set the parameters on the scope and application of OGCC MC No. 2023-1. Therefore, strict compliance with the aforementioned MCs should be practiced by TIEZA.
- 21.7 On the other hand, the same findings were noted during the year regarding the submission of contracts and its supporting documents.
- 21.8 Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009 provides that *within five working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including GOCCs and their subsidiaries, a copy of the said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned.*
- 21.9 The Authority incurred delays ranging from five to 1,150 calendar days during CY 2022 in the submission of copies of contracts and their supporting documents to the audit team, contrary to the preceding Section of COA Circular No. 2009-001.
- 21.10 Based on the submitted list of projects offered for bidding during CY 2022, TIEZA offered 73 projects, of which 39 projects materialized during the year and only 10 contracts were submitted. Also, only 16 contracts out of 24 contracts from previous years' pending lists were submitted to the audit team for review, thereby leaving 37 unsubmitted contracts with a total amount of P365.115 million as of December 31, 2022.
- 21.11 According to an inquiry with the Bids and Awards Committee (BAC) Secretariat, one of the reasons for their backlogs was the lack of personnel to manage the monitoring and submission of contracts. So far, the issue has been ongoing since 2016, and Management is not taking appropriate action to address the matter. During the last two years exit conferences, it was agreed that the Legal Department would handle the collection of all documentary requirements for submission to COA, as they saw it as a solution to the issue. However, up to the present time, the contracts and their supporting documents are still being submitted by the BAC Secretariat, Architectural and Engineering Services Sector, and General Services Division (GSD).
- 21.12 Submission of perfected contracts together with its supporting documents within the prescribed period is mandatory for COA to implement a

systematic and effective review with the end in view of generating timely and relevant audit results.

- 21.13 Lastly, non-compliance with the timely submission of contracts may result in payment suspension, as stipulated in Section 4.2 of the above-cited COA Circular. It provides that upon receipt of information or discovery by the auditor of such failure by Management to comply with the required submission, an AOM shall be issued to call the attention of the latter and request compliance, or else the transactions covered by the unsubmitted documents will be suspended in audit.

**21.14 We recommended that Management:**

- a. Ensures the submission of all succeeding drafted contracts to OGCC for their review and opinion in compliance with OGCC MC No. 2023-03-A dated May 12, 2023, and thereafter, timely sign and execute the contracts with the winning bidders in accordance with Section 37.2.2 of the 2016 RIRR of RA No. 9184; and**
- b. Designates an appropriate focal person or department who can properly collate and submit all the contracts and supporting documents to COA within the prescribed timeline as stipulated under Section 3.1.1 of COA Circular No. 2009-001 to avoid the suspension of payment for those unsubmitted contracts.**

- 21.15 Management commented that they are constantly communicating with the OGCC with regard to all the contracts that require the latter's review and opinion.

- 21.16 Moreover, the Management stressed that the Construction Management Department (COMD), BAC, and GSD are the custodian of contracts and all of its supporting documents. The said offices are also well-informed about the particulars of the concerned contracts; thus, the tasks of collating and submitting the documents fall upon the foregoing offices. In that regard, the assignment of a focal person or department creates an additional and unnecessary layer of work. Nonetheless, the Management will reconsider COA's recommendation to assign a focal person to strengthen its efforts to demand timely and prompt preparation, signing, and submission of the contract documents.

- 21.17 The Audit Team emphasized that it is the Management's suggestion to have a focal person or department who will collate and submit all the contracts and supporting documents to COA through the instruction of the Chief Operating Officer (COO) during the CY 2020 Exit Conference. During that time, it was agreed that the Legal Department would be the designated focal department.

- 21.18 During the exit conference, the Legal Department, in coordination with the COMD, BAC and GSD, agreed to be the focal person who will collate all the contracts and supporting documents for submission to COA.

**22. The use of TIEZA motor vehicles was not properly controlled and regulated due to absence or lack of duly approved Drivers Trip Tickets (DTTs) as required under COA Circular No. 77-61 dated September 26, 1977.**

22.1 COA Circular No. 77-61 dated September 26, 1977, prescribes the use of the Manual on Audit for Consumption of Government Motor Vehicles to minimize wasteful, excessive, and unnecessary expenditures for fuel consumption of government motor vehicles.

22.2 Section B - Specific rules and regulations of the said Manual provides that:

*“1. xxx.*

*2. Use of government vehicles shall be properly controlled and regulated.*

*- The use of government motor vehicles should be controlled through properly accomplished and duly approved DTTs (Appendix A) which should be serially numbered, a summary of which shall be made at the end of the month in a Monthly Report of Official Travels (Appendix F), for audit purposes.*

*3. Xxx*

*4. Monthly Report of Fuel Consumption of government motor transportation (Appendix G) shall be submitted to the Auditor for verification purposes to determine the reasonableness of fuel consumed during the period.”*

22.3 Likewise, Administrative Order (AO) No. 239 dated September 15, 2008 *strictly enjoined the authorized use of government vehicles by bureaus and offices only through the issuance for each trip of a serially numbered ticket, duly signed by an authorized official, and that all government agencies and officers shall limit the use of government vehicles to essential activities and shall review their travel program and schedule to minimize unnecessary trips.*

22.4 DTT is a prescribed document used as a tool to properly control and monitor the use of government vehicles as provided in the above-cited Manual.

22.5 Moreover, information/records obtained from the DTTs are summarized at the end of the month in: (a) a Monthly Report of Official Travel indicating distance traveled with corresponding gasoline consumed, and (b) a Monthly Report of Fuel Consumption presenting the odometer reading, total distance traveled, total fuel used, as well as the normal travel (kilometer) per liter and actual distance traveled per liter. These documents are necessary for audit purposes, in order to ascertain that the use of government vehicle is official and travels are authorized under the existing laws; to determine the reasonableness of price of fuel purchased during the period; and ensure that expenditures for fuel consumption are properly controlled and accounted for.

22.6 Also, below are our observations on the sample DTTs and accomplishment reports submitted:

- a. Some fields on the DTTs were not properly filled out. Basic information such as driver's name, plate number of the official vehicle, specific place to visit, and the actual purpose of the travel was not specified on the form;
- b. The DTTs were prepared monthly instead of per official trip pursuant to AO No. 239 dated September 15, 2008;
- c. The actual distance travelled per DTT did not match with the odometer reading of the vehicle;
- d. The beginning and ending odometer readings were not traceable from previous or succeeding months' reading; and
- e. The accuracy of the computation of the kilometer per liter per trip cannot be ascertained because of the missing details and inaccurate information provided in the form.

22.7 The Monthly Accomplishment and Summary of Gasoline Consumption Reports only provides the gasoline purchase and number of trips completed during the month, there is no way to identify and monitor the validity of the official travels and reasonableness of the gasoline consumption against the distance traveled by the vehicle due to improperly filled up DTTs.

**22.8 We recommended that Management:**

- a. Instructs all drivers, through the GSD, to regularly prepare and accurately accomplish DTTs and Monthly Report of Official Travels (Annex F) for submission to the Accounting Division;**
- b. Prepares the correct Monthly Report of Fuel Consumption (Annex G) using the prescribed form under COA Circular No. 77-61 and submit regularly to COA for verification purposes; and**
- c. Complies with the other provisions of COA Circular No. 77-61 dated September 26, 1977, and AO No. 239 dated September 15, 2008 to properly control, regulate and limit the use of government vehicles to essential activities.**

22.9 Management commented that all drivers are currently submitting monthly DTTs and Monthly Accomplishment Reports. They admitted the failure to use the forms prescribed under COA Circular No. 77-761, which resulted in the submission of records lacking information necessary for audit purposes. They agreed to revise the existing forms in accordance with Appendices F and G of the said Circular.

**23. Procurement of Petroleum, Oil and Lubricants (POL) done thru Direct Retail Purchase was not in accordance with some of the procedural guidelines set forth under Section 53.14 of the 2016 RIRR of RA No. 9184 and the amendments to the affected provisions in Annex H thereof.**

23.1 On October 30, 2019, Government Procurement Policy Board (GPPB) Resolution No. 24-2019 was issued approving Section 53.14 of the 2016 RIRR of RA No. 9184 and amending the affected provisions in Annex H of the said RIRR to serve as procedural guidelines for the procurement of POL products in small or necessary quantities.

23.2 Section 53.14 Direct Retail Purchase of POL Products and Airline Tickets of the RIRR of RA No. 9184, provides that *where Goods and Services are required by a procuring entity for the efficient discharge of its mandate, government functions, or day to day operations, direct retail purchase of (i) POL products and (ii) airline tickets may be made by end-users delegated to procure the same from identified direct suppliers or service providers.*

23.3 Review of the process on procurement of POL products thru Retail Direct Purchase, disclosed the following deficiencies:

a. *No specific official, personnel, committee or office was delegated by the BAC through a Resolution, to conduct Direct Retail Purchase of POL products, which is not in accordance with Part IV (J) of Annex H as amended under the above-mentioned GPPB Resolution.*

a.1 Part IV (J) (new provision) of Annex H states that *for Negotiated Procurement under Sec 53.14, the BAC and the Head of the Procuring Entity (HOPE) through a Resolution and issuance for the purpose, respectively, shall delegate to specific officials, personnel, committee or office in the Procuring Entity (PE) the conduct of Direct Retail Purchase to efficiently and expeditiously deal with the pressing need sought to be addressed.*

a.2 Examination of the documents supporting the transaction showed that the GSD is the office directly involved in the procurement of POL, however, the GSD as the appropriate office to handle the procurement was not properly authorized or delegated with authority by the BAC.

b. *TIEZA incurred disbursements of P3.985 million on fuel/gasoline more than the approved budget of P2.332 million, which is not in accordance with Section 7.1 of RIRR of RA No. 9184.*

b.1 Review of the approved For the Year (FY) 2022 Corporate Operating Budget (COB) of TIEZA showed that the amount pertaining to POL, as included in the Maintenance and Other Operating Expenses (MOOE), amounted to P2.332 million, whereas the actual expenses were P3.985 million. In total, POL expenses were over by P1.652 million from the COB, thus, a mere

violation of Section 7.1 of RIRR of RA No. 9184, which states that *all procurement shall be within the approved budget of the PE and should be meticulously and judiciously planned by the PE.*

- c. *The amount of procurement of POL products in its entirety was not reflected in the Annual Procurement Plan (APP), contrary to Item No. 10.c (i.a), Part V(D) of Annex H. Moreover, the estimated amount for POL reflected in the Project Procurement Management Plans (PPMPs) for CY 2022 was not consistent with the approved budget for FY 2022.*
  - c.1 Part V(D), Item No. 10.c (i.a) (new provision) of Annex H states that *direct retail purchase of POL products estimated to be necessary for the operations of the PE within the fiscal year, including provisions for foreseeable emergencies based on historical records, shall be reflected in the APP in its entirety including any amendment thereto which shall be reflected in the supplemental APP.*
  - c.2 We noted that some of the Agency's Sectors and Departments did not provide budgets for the purchase of POL products in their respective PPMPs and were not even presented in total on their APP for CY 2022. Also, review of the PPMPs revealed that the amount of procurement of POL products amounted to P1.126 million, while the actual incurred expenses were P3.985 million, thereby showing an overage of P2.859 million. Supplemental APP and PPMPs to support the said overage were not being prepared by the Management to reflect the amendments thereto and thus, were not consistent with the approved budget.
  - c.3 Hence, such actions were contrary to the above-cited Item 10.c (i.a), Part V(D) of Annex H and Section 7.2 of the RIRR of RA No. 9184, which clearly states that *no government procurement shall be undertaken unless it is in accordance with the approved APP of the PE and must be consistent with its duly approved budget.*
- d. *Procurement of POL products from specific suppliers did not pass through a properly negotiated procurement process pursuant to Item No. 10.a, Part V(D) of Annex H.*
  - d.2 Part V(D), Item No. 10.a (new provision) of Annex H states that *all procurement of POL products and airline tickets shall be done through competitive bidding, except when the PE has determined that Direct Retail Purchase is the best modality for the procurement of non-bulk POL products or where fees for additional services or functionalities are charged on top of the payment for the required POL products or airline tickets. In case of competitive bidding, other factors such as value-added or related services may also be taken into account in determining the procurement project's Approved Budget for the Contract (ABC).*



- d.3 TIEZA is availing of the Pilipinas Shell Petroleum Corporation's (PSPC) services using fleet cards, allowing cashless transactions for the fuel requirements of its motor vehicles. As of December 31, 2022, 31 fleet cards were issued for motor vehicles being used in the TIEZA main office. In addition, they have an existing post-paid account with Red Fields One Corporation (RFOC), the former Red Fields Shell Service Station, which allows them to use its services and pay at a later date.
- d.4 A review of the agency's accounts on both PSPC and RFOC disclosed that the existing contract agreements are only based on the terms and conditions of the latter. Had TIEZA executed their own Memorandum of Agreement through negotiated procurement under Direct Retail Purchase, feasible terms and conditions advantageous to the government may have been realized.

**23.4 We recommended that Management:**

- a. **Complies with the requirements and procedures set forth under Section 53.14 and Annex H of the RIRR of RA No. 9184, such as:**
  - **The officer, employee or office assigned to conduct procurement of POL products should be properly authorized or delegated with authority by the BAC through a Resolution approved by the HOPE;**
  - **The procurement of POL products under the Direct Retail Purchase should be included in the APP and PPMPs in its entirety/estimated amount in full. Changes during the current budget year should be presented in the Supplemental APP and PPMPs;**
- b. **Observes the provision of Section 7.1 of the RIRR of RA No. 9184 that all procurement shall be within the approved budget of the PE; and**
- c. **Executes an agreement or contract with a selected service provider through a proper negotiated procurement process to devise feasible terms and conditions that meet the requirements of the Agency and obtain the most advantageous price for the government.**

**23.5 Management commented the following:**

- a. They undertake to prepare and thereafter submit to COA a copy of a Resolution delegating and authorizing the GSD to conduct procurement of POL products.

- b. They committed that a mechanism will be put in place to ensure that any realignment or supplement to the PPMPs of the concerned departments or sectors will be accurately and immediately submitted to the BAC so that the latter may revise and submit a supplemental APP, if necessary.
- c. They raised that TIEZA's COB was duly approved by the Department of Budget and Management (DBM) with a flexibility clause on the utilization of funds. The DBM clarified that TIEZA may modify its fund from one allotment clause to another provided that said modification is within the total DBM-approved level. Based on the said pronouncement, TIEZA realigned the CY 2022 budget to augment the total excess utilization of MOOE, which includes gasoline, oil, and lubricants. As a result, the total final budget covers the total actual gasoline consumption in CY 2022. The COB column in Annex A of the Audit Observation Memorandum provides the Board approved budget. However, the amount must be based on the final budget, which reflects the adjustment and realignment as of year-end.
- d. They undertake to formulate a template of Direct Retail Purchase Contract that will contain terms and conditions that will be beneficial and advantageous to TIEZA, pursuant to the guidelines under Annex H of RIRR of RA No. 9184.

23.6 The Audit Team maintained our position that the budget for POL was still not enough to cover the actual fuel expenses, hence still with a negative variance of P1.213 million.

23.7 We also acknowledged the Management response and will validate their actions on their succeeding transactions. But with regard to the clarification of the DBM on the flexibility clause, we recommended that Management properly realign their budget per fund allotment to avoid negative variances.

**24. The substantial increase of fuel consumption for CY 2022 in the amount of P1.401 million or equivalent to 3,616 liters could not be verified due to lack of supporting documents.**

24.1 As of December 31, 2022, TIEZA has a total of 47 motor vehicles (MVs), of which 43 are assigned to officials and offices authorized to use government motor vehicles, and the remaining four are stationed at the carpool for the use of authorized employees on official trips/travels.

24.2 On the onset of the COVID-19 pandemic in 2020, Section 4.d of Civil Service Commission (CSC) Memorandum Circular (MC) No. 10 dated May 7, 2020, as amended under CSC MC No. 18 dated October 15, 2020, required the agency head to provide a support mechanism by ensuring that all employees assigned as skeleton workforce are provided with reasonable transportation facilities and housing quarters, whenever practicable, subject to accounting and auditing rules and regulations.

- 24.3 Relative to the afore-mentioned MC, MVs assigned to officials were pooled to transport all TIEZA main office employees scheduled to report for work as skeleton workforce. The transport arrangement lasted until March 2022, and thus, it is expected that the fuel consumption will not increase during the year, despite the increase in fuel prices, because the MVs are no longer being used as service vehicles by employees apart from the assigned officials.
- 24.4 Analysis of the fuel consumption for CY 2021 and 2022 disclosed an increase of 3,616 liters in gasoline consumption, amounting to P1.401 million. While the total percentage increase in consumption is only 8.5 per cent, the majority of the per-department and per-sector increases in consumption range from 0.04 per cent to 118.70 per cent, which may possibly demonstrate improper control over fuel consumption.
- 24.5 We examined the documents attached to the disbursement vouchers (DVs) of the agency's gasoline expenditures and found out that the only attachments were the memorandum request to process payment, a summary of fuel consumption per motor vehicle, and the original invoice from the supplier. The required Daily Trip Tickets (DTTs) (filled up for each and every authorized trip) and Monthly Report of Official Travels (Appendix F) were not attached to the said DVs as discussed in the previous observation.
- 24.6 Thus, the Audit Team could not verify the actual fuel consumption in liters, distance traveled, and the validity of the official travels due to the non-submission of the necessary supporting documents.
- 24.7 We recommended that Management investigates the cause of the substantial increase in fuel consumption considering that transport service for employees during COVID-19 Pandemic ended in March 2022.**
- 24.8 Management commented that the increase in fuel consumption was mainly due to the following reasons:
- a. TIEZA purchased 13 new motor vehicles during the year.
  - b. Although the transport arrangement for skeleton workforce employees ended in March 2022, the Travel Tax Department (TTD) retained the use of shuttle services for its employees assigned at the Ninoy Aquino International Airport (NAIA) Terminals 1, 2 and 3 due to the inaccessibility of public transport. Said employees are scheduled into three shifts per day, and TIEZA ferries these employees from certain pick-up points, considering their safety and convenience.
  - c. The TTD also incurred additional gasoline expenses for the delivery of office supplies needed in view of the surge in the number of Filipino tourists traveling internationally when the borders were opened.

- d. Due to the Russo-Ukrainian war, which has drastically affected fuel prices worldwide, particularly in the Philippines, where regular petrol prices had reached P97.10 per liter, there was also an inflation rate and a weak Philippine currency, which made oil imports more expensive. These factors brought about by the war were unforeseen and could not be included in the APP.
- e. TIEZA employees comprising five teams were assigned to visit properties located outside Metro Manila that are accessible by land, pursuant to the yearly conduct of inventory taking.

24.9 The Audit Team acknowledged the above-mentioned justifications of the Management; however, we emphasized that our audit is geared towards ascertaining that expenditures for fuel consumption are effectively controlled and accounted for. Hence, we accounted for the increase in actual fuel consumption in liters (quantity), not necessarily the increase in fuel prices. Increases in fuel consumption are subject to audit to determine if the trips are official in nature and the consumption is within acceptable limits.

**25. Training expenses totaling P3.524 million spent in CY 2022 for the conduct of trainings and seminars in expensive venues were considered extravagant pursuant to COA Circular No. 2012-003 dated October 29, 2012.**

25.1 Section 6 of COA Circular No. 2012-003 dated October 29, 2012 defines “extravagant expenditure” as *those incurred without restraint, judiciousness, and economy. Extravagant expenditure exceeds the bounds of propriety. These expenditures are immoderate, prodigal, lavish, luxurious, grossly excessive, and injudicious.*

25.2 Likewise, Annex E of the same COA Circular explicitly considers the following as extravagant expenditures:

*“(2) Payment for rent of expensive halls or rooms in luxury hotels or restaurants used in meetings/seminars and other official functions, except when such hotels or restaurants are used for government-sponsored international conventions, meetings, and the like.*

*“(3) Conduct of out-of-town meetings, which can be made within office premises.”*

25.3 Examination of the Training Expenses account for CY 2022 revealed that some of the trainings and seminars were conducted in expensive hotels and resorts. Audit revealed that P3.524 million – or 31.65 per cent of the total amount of P11.133 million spent for training expenses during CY 2022 – was used for the conduct of trainings and seminars outside office premises. The amount includes payment for training and seminar providers,

room accommodation for participants, meals, and function rooms. This contributed to the significant increase in training expenses by 136.84 per cent above the amount of P4.701 million spent during CY 2021.

- 25.4 TIEZA has its own multipurpose hall that can accommodate a maximum of 200 people. TIEZA could have used its hall for the trainings and seminars instead of holding them in expensive hotels and resorts, incurring extravagant expenses as defined in the above-mentioned Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures. Should their in-house facility have been maximized, TIEZA could have avoided room accommodations, rental of function rooms, and related travel expenses.

**25.5 We recommended that Management:**

- a. Explains why some of the seminars and trainings were held in expensive hotels and resorts despite having their own multipurpose hall; and**
- b. Refrains from conducting seminars and trainings in expensive hotels and resorts and other high-end venues, and instead utilize the available resources of the agency.**

- 25.6 Management commented that they beg to differ that the expenses incurred for the identified trainings and seminars were extravagant. They submit that the trainings/seminars conducted and funded by the Authority must be considered within the context of the organization needs and strategic goals and objectives, such as learning sessions were necessary to acquaint and enable officers and employees to meet the challenges and adapt to new paradigm shifts in the government business post COVID-19 pandemic, and the identified trainings/seminars had mission critical objectives/outputs connected to the overall strategic goals of the organization.
- 25.7 They take cognizance that the Authority has its own multi-purpose hall that can accommodate about 200 people, however, their trainings and seminars required participants to work on assignments and outputs well into the night, making overnight stays imperative. The least that the Management could do was to provide them with venues that have facilities for late-night break-out and brainstorming sessions. Furthermore, a number of trainings and seminars have to be held in hotels in consideration of the participants' convenience, comfort and security, as well as an environment conducive to learning.
- 25.8 The Audit Team reiterated that Management could have maximized the use of its in-house multipurpose hall to avoid incurring expenses in expensive hotels and resorts. We firmly believe that the said facility was designed with the purpose of conducting seminars and trainings without compromising the participants' convenience, comfort, and learning environment.

- 25.9 As to the necessity of facilities for late-night break-out and brainstorming sessions, the Management could have considered an efficient and effective program for the said seminars and trainings, which could have likewise prevented the participants from working on those mentioned night activities and sessions. Premises considered, the safety of the participants will not be compromised.
- 25.10 While we respected the rationale of the Management for conducting seminars and trainings in hotels and resorts despite having an in-house facility, we drew the Management's attention to Section 6 of COA Circular No. 2012-003 dated October 29, 2012, which defines "extravagant expenditure" as *those expenditures that are immoderate, prodigal, lavish, luxurious, grossly excessive, and injudicious.*
- 25.11 Moreover, Section 2 of Presidential Decree (PD) No. 1445 provides that *it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*
- 26. The training registration or participation fee for each participant exceeds the allowable amount as provided in National Budget Circular (NBC) No. 563 dated April 22, 2016 and Compensation and Position Classification System (CPCS) No. 2021-011 dated January 12, 2022.**
- 26.1 Paragraph 3.2 of NBC No. 563 dated April 22, 2016 and Paragraph 4.2 of CPCS Circular No. 2021-011 dated January 12, 2022 provides that the registration or participation fee in said convention, seminar, etc. shall not exceed P2,000 per day for each participant.
- 26.2 Our audit further revealed that seminars and trainings held by TIEZA in expensive hotels and resorts were conducted by non-government organizations or private institutions. Moreover, the fees for the said seminars and trainings ranged from P2,300 to P5,800 per participant, which exceeded the allowable registration or participation fee per day for each participant pursuant to the aforementioned Budget Circular.
- 26.3 We recommended that Management strictly adheres to the provisions of NBC No. 563 and CPCS No. 2021-011 on the allowable participation fee per day for each participant when holding seminars and trainings conducted by non-government organizations or private institutions.**
- 26.4 Management commented that considering that the aforementioned circulars define "conventions", "seminars" as "those conducted basically for purposes of sharing, discussing, or disseminating ideas or information on the developments in a particular field or fields of interest, and/or for common

appreciation and resolution of certain issues”, it is respectfully pointed out that the trainings and seminars mentioned are key initiatives of the Authority that are “for training purposes where participants are expected to gain or strengthen skills and technical or management expertise” of the target officers and personnel.

- 26.5 The Management explained that they are mindful of the expenditure limitation set forth in NBC No. 563 and CPCS Circular No. 2021-011 in carrying out its learning and development programs. Nevertheless, since the Authority’s trainings and seminars mostly target technical and leadership competencies/skills, they submitted that the registration and participation fees for the said trainings/seminars were not covered by the P2,000/day limitation.
- 26.6 The Audit Team emphasized that Paragraph 2.1 of both NBC No. 563 and CPCS Circular No. 2021-011 covers all activities requiring payment of registration and related fees pertaining to the participation of officers and employees in conventions, seminars, conferences, symposia, and other similar gatherings conducted/sponsored by non-government organizations or private institutions in the Philippines.
- 26.7 Since the trainings and seminars held in expensive hotels and resorts were conducted by non-government or private institutions, the related fees for the seminars and other similar gatherings are covered by the aforementioned NBC and CPCS Circulars.

**27. The condition of various TIEZA properties, as observed during ocular inspections in CY 2019, necessitates legal action to mitigate the risks of further encroachment.**

- 27.1 This is a reiteration of prior years’ observation as embodied in the CYs 2016 to 2018 AARs.
- 27.2 In CY 2019, the audit team conducted an ocular inspection of the Authority’s land, land improvements, and other structures located in various provinces of Luzon and Visayas to verify its existence and status. As stated in the previous year’s Management status of implementation, they are presently coordinating with various local government officials to seek assistance in the effective and immediate implementation of necessary actions to reclaim the encroached properties.
- 27.3 The following were the encroached properties inspected by the audit team:

<b>TIEZA Properties</b>	<b>Description</b>
Moalboal, Cebu	TIEZA’s lots in Moalboal has several claimants and some have actual possession of said lots. The lots were covered with an agreement executed on February 12, 1981 between Tri-Island Corporate Holdings (Tri-Island) and Philippine Tourism Authority (PTA) (now TIEZA). On

<b>TIEZA Properties</b>	<b>Description</b>
	July 14, 1983 and August 31, 1983, Deeds of Absolute Sale were executed between PTA and Tri-Island, transferring and conveying to PTA the parcels of land totaling 716,468.97 square meters.
Maomawan, Cebu	<p>An informal settler lives within the property line who is an heir of the previous caretaker of the land of PTA.</p> <p>Another property with Lot No. 16107 was found to be a public cemetery. This lot was purchased by PTA in 1980s from the Cebu Bible Baptist Church, Inc. and a verbal agreement ensued between then PTA Management and then Cebu City Health Department that the existing cemetery in Barangay Malubog be transferred to a portion of Lot No. 16107 in Maomawan. Apparently, this is in consideration of PTA's Kang-Irag Golf Course being located in Barangay Malubog. However, through the years and due to non-existing restrictions on the area, some residents continued to utilize the lot as burial site and thus, this led to its present state as public cemetery.</p>
Dalaguete, Cebu	The Airstrip with an approximate area of 78,000 square meters located at Dalaguete, Cebu Province is enclosed with a fence but a portion was found to be breached and the cleared area turned into access roads leading to the properties in the adjacent lots of other land owners.
Matabungkay, Batangas	Two lots were encroached by informal settlers with houses built with light and concrete materials forming a community in the said property.
San Fabian, Pangasinan,	Part of San Fabian Bagong Lipunan Lodge is occupied by informal settlers and being used as a fighting cock farm. Inquiry during our inspection disclosed that the occupants are relatives of one of the resort employees. The manager of the resort said that they tried several times to persuade the informal settlers to vacate the area but there are no signs that this will be complied.
Pugo, La Union inspection	Marcos Park was found encroached with residential houses, businesses, and a constructed public school, an indication the community grew over the years without the knowledge of the Authority.
Paoay, Ilocos Norte	The property at Bo. Balacad, Paoay Ilocos Norte is also occupied with residential houses and commercial establishments.

27.4 Informal settlers and persons posing claims are enjoying the beneficial use of TIEZA properties as they continue to rise over time, while TIEZA continues to pay real property taxes and salaries of security guards or custodians. Sooner or later, when the government plans and decides to use these encroached areas, they will inevitably incur relocation and incidental costs that could have been avoided if the government had intervened in time to prevent the encroachment.

27.5 **We reiterated our prior years' recommendation that Management authorizes the Asset Management Sector and the Legal Department 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.**

- 27.6 Management commented that, in collaboration with the Assets Management Sector and the Legal Department, the preparation of demand letters is ongoing to address those identified as illegal settlers on TIEZA properties.

**28. The two per cent variable component on hotel operations on top of the annual fixed rental rate in the Contract of Lease (CoL) with China Oceanis PTE., LTD. (COPL) was not collected and recorded.**

- 28.1 This is a reiteration of prior years' observation as embodied in the CYs 2015 to 2019 AARs.
- 28.2 Executive Order (EO) No. 69 dated February 17, 1999, has declared certain portions of Manila Bay and its foreshore area as Special Tourist Zone under the administration, control, management, preservation, development and supervision of the PTA (now TIEZA), comprising a total area of 72,277 square meters.
- 28.3 On April 25, 2005, TIEZA awarded the CoL to COPL with portions of the aforementioned Special Tourist Zone, consisting of the following:
- a. The Luneta Boardwalk Platform, with an approximate area of 12,000 square meters;
  - b. The landside area and parking lot adjacent to the Boardwalk, with an approximate area of 20,000 square meters; and
  - c. The water surface extended outward to the bay which is covered by, and considered part of, the tourist zone.
- 28.4 Section IV of the addendum on the contract of lease on the landside dated March 16, 2009 provides that *Article V is further amended to provide an additional sub-paragraph to read as follows, to wit:*
- a. *(4) Lessee shall pay Lessor an amount equivalent to two per cent of the room revenues net of taxes, derived from the operation of the hotel facilities that Lessee shall introduce on the landside area. The same shall be remitted in the manner herein provided commencing upon the start of operation thereof subject to adjustment/reconciliation annually after submission by the Lessee of its audited annual hotel room revenue statement.*
- 28.5 In compliance with our audit recommendation that the Management demand from COPL the collection of the two per cent share from hotel revenues, TIEZA furnished COPL with a computation for the billing of the

supposed amount of the variable rental fee derived from the operation of the hotel facilities. However, the COPL countered that the computed share made by the TIEZA was generated from the hotel income situated on the platform and not on the landside area, thus not covered by the above-stated provision. Therefore, no payment was made for the two per cent share in the hotel revenue.

- 28.6 It is our view that the context of Section IV as aforementioned covers the entitlement of TIEZA to share in COPL's revenues derived from hotel operations within the leased premises, regardless of where the hotel was constructed. Further, the government's share is in consideration of the lessee's construction of the hotel, which in the first place is not included in the contract of lease, neither in its addendum nor amendment.
- 28.7 The contract of lease dated April 25, 2005 states that *the lease of the Luneta Boardwalk Platform is solely for the construction of an Oceanarium, the Ocean Park Manila as stipulated under Article VI, Structural Integrity of Platform of the contract.*
- a. *The project to be placed on the leased site, an envisioned Ocean Park Manila, consists of a state of the art 1.2 million gallon Oceanarium, that features thousands of sharks, colourful fish and invertebrates indigenous to the Philippines, as its centerpiece, complemented by a theme Pavillion, to be built on the boardwalk platform.*
- 28.8 However, the Authority did not object or raise any issue while the hotel was being constructed in the platform area, which led to its subsequent hotel opening in April 2010.
- 28.9 COPL's explanation that the variable fee is not applicable because the hotel is situated on the platform and not on the landside is not only unacceptable but questionable. Under what authority was the hotel built?
- 28.10 Management previously commented that they will not waver in collecting the two per cent share from COPLs' hotel revenue and will likewise demand the execution of another amendment ratifying and agreeing to the payment and collection of the two per cent share from room revenues derived from the operation of the hotel built on the platform. However, to date, no collection or amendment to the Memorandum of Agreement (MOA) has been transmitted to the COA, if there is any.
- 28.11 On December 7, 2022, the TIEZA Legal Department issued a memorandum to the Asset Management Sector (AMS) asking for the current direction of the Management in view of the unpaid two per cent variable component on hotel operations of the COPL.
- 28.12 In its meeting with the Office of the Government Corporate Counsel (OGCC) last November 2020, the OGCC opined that TIEZA may claim that due to the violation of the CoL by COPL for constructing a hotel without its prior written approval, the Authority may terminate the contract and/or

demand from them the payment of said two per cent share. However, no further action has been taken by the Legal Department because no recommendation from the AMS has been received.

- 28.13 We reiterated our prior years' recommendation that Management asserts its entitlement from COPL hotel revenues from 2010 to present through an amendment to the MOA ratifying the payment of the two per cent share on revenues of the hotel built on the platform and collect the same, and explain why the recommendation has not been acted upon.**
- 28.14 Management commented that on June 7, 2023, TIEZA representatives met with COPL, and they demanded the payment of the two per cent share on the hotel revenues built on the platform from 2010 to the present. In response, COPL imparted to TIEZA that the former's Management will discuss the latter's demand and how they intend to proceed thereafter. At present, the Management is still waiting for their action.
- 29. The approved GAD Plan and Budget (GPB) for CY 2022 was underutilized by 93 per cent, spending only P5.816 million out of the P88.025 million allocated budget, resulting in non-implementation of GAD attributed infrastructure projects which may have affected the agency's efficiency in addressing gender related issues.**
- 29.1 GPB is a systematically designed set of programs, projects and activities with corresponding budget carried out by all government agencies including government-owned and-controlled corporations over a given period of time to address and systematize an agency's approach to gender mainstreaming, women's empowerment and gender equality.
- 29.2 TIEZA submitted their GPB for CY 2022 to Philippine Commission on Women (PCW) and was endorsed on June 1, 2022, with an allocated budget of P88.025 million. Of which, only P5.816 million, or seven per cent of the allocated budget was utilized, leaving P82.209 million, or 93 per cent unexpended.
- 29.3 The TIEZA GPB covered 12 activities categorized into: three client-focused GAD activities to promote gender equality and raise awareness of violence against women, seven organization-focused GAD activities to promote gender mainstreaming within the organization, and two attributed infrastructure projects.
- 29.4 Of the 10 GAD activities implemented, all have been well appreciated and received positive feedback from the employees and clients. However, the remaining two attributed infrastructure projects were not implemented, which encompassed 96 per cent of the total allocated GAD budget.
- 29.5 The attributed budget for the two projects amounting to P84.314 million, was not included in the submitted Accomplishment Report (AR) for CY

2022 to PCW due to the absence of the Harmonized Gender and Development Guidelines (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. The attachment of these documents is required under Paragraph 1.5 of PCW Memorandum Circular No. 2022-07 dated December 6, 2022, to assess the gender responsiveness of the project and shall be the basis for determining the actual cost/expenditure that can be attributed to the GAD AR.

29.6 Based on the letter dated February 28, 2023, from the Assistant Chief Operating Officer, Architectural and Engineering Sector (AESS), to the Head of GAD Focal Point System, they regret to inform that the 2022 attributed projects were again not achieved because of the following reasons related to the accomplishment of the HGDG PIMME checklist:

- a. Guide questions for project management and implementation (Box 16) necessitated the availability of supporting documents, and the construction activities are focused only on technical aspects; and
- b. They find it difficult to comply with the project monitoring and evaluation checklist (Box 17) because the re-assessment was not made due to the absence of a particular unit or group that conducts the monitoring and evaluation activities for completed infrastructure projects. The function of AESS does not include the mentioned activities because, once a project is turned over by TIEZA, the local government unit will maintain and operate such project.

29.7 Given the circumstances, the Management may consider reassessing their existing GAD Programs, Activities and Projects (PAPs) to help them utilize their GAD allocated budget properly.

29.8 Nevertheless, the non-inclusion of the attributed major projects in the submitted AR to PCW resulted in the underutilization of the GAD allocated budget by P82.209 million, or 93 per cent, and thus did not comply with Section 6.1 of PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM) Joint Circular No. 2012-01.

**29.9 We recommended that Management:**

- a. **Maximizes the utilization of the GAD funds. Re-assess the existing projects to be able to determine the appropriate attributable infrastructure project that will help the Authority achieve their commitment to promote and integrate inclusive gender-responsive tourism GAD PAPs; and**

- b. Ensures that all the required documents for PCW, such as the HGDG PIMME checklist, are submitted together with the GAD AR to appropriately assess the gender responsiveness of a project.**

29.10 Management acknowledged that the two major attributed projects included in their 2022 GPB were not included in the submitted GAD AR to the PCW. The omission was due to the reason stated by the AESS in their Memorandum dated February 28, 2023.

29.11 To address the recurring problem of accomplishing the HGDG checklists, the Management committed to taking the following actions: (1) the establishment of a separate GAD Committee dedicated to assessing the major PAPs of the Authority. This committee will utilize the HGDG checklists to ensure the proper utilization of the GPB allocation; and (2) seek guidance from the PCW and request a training or workshop on GAD analysis using the HGDG to deepen the understanding of accomplishing the checklist and address their concern on how they can properly attribute the major PAPs of the Authority.

**30. Non-reconciliation of GAD AR actual expenses with the recorded expenses in the GAD responsibility center (RC) in the books of accounts resulted in a discrepancy of P0.795 million.**

30.1 We have examined the submitted supporting documents based on the details of the PAPs included in the PCW-endorsed GPB and AR and identified a discrepancy of P0.795 million between the GAD AR actual expenses of P2.802 million and P2.007 million recorded expenses in the GAD RC in the books of accounts. Some of the possible reasons are as follows:

- a. Purchase of Information, Education and Communication (IEC) materials amounting to P0.582 per Purchase Request (PR) No. 21-11-0647 dated October 24, 2022, was not recorded in the GAD RC in the books of accounts as of December 31, 2022, because the items were delivered only on January 25, 2023. These materials were supposed to be used for the 18-Day Campaign to End Violence Against Women from November 25 to December 12, 2022.
- b. Purchase of additional IEC materials amounting to P90,000 per PR No. 22-09-0542 dated September 21, 2022 for the celebration of National Women's Month every March of the year, was also not recorded in the GAD RC because it was delivered on January 16, 2023.

The delivery and acceptance of these IEC materials after the GAD event defeat the purpose of their purchase and may weaken the effectiveness and success of the GAD event.

- c. Purchase of a laptop and an external hard drive for use in the documentation of GAD PAPs remain undelivered to date.

30.2 There would have been no discrepancies if coordination and reconciliation were practiced by the GAD Focal Point Person and Accounting Division, to ensure proper monitoring and reporting of GAD expenses.

**30.3 We recommended that Management:**

**a. Plans the procurement of IEC materials carefully to ensure the delivery and acceptance of these materials will fall on or before the scheduled activity; and**

**b. Ensures proper reconciliation of GAD expenses between the GAD Focal Point Person and Accounting Division.**

30.4 Management commented the following to clarify the results of the observations:

a. Despite the Management's desire to procure the IEC materials early, their timeline was heavily reliant on the release of the PCW memorandum circular. The circular was issued on short notice, and because TIEZA adheres to the design and layout provided by PCW in the circular, the GAD Focal Point Person had very limited time to prepare the procurement of materials.

b. The additional IECs serve as supplementary requests to the initial PR for TIEZA provincial offices. The delay in the delivery was caused by the supplier's request for an extension as the materials needed were being ordered overseas.

c. As to the undelivered purchase of laptop and external hard drive, the delay was attributed to the failure of bidding in the BAC's first posting.

d. Lastly, only expenses incurred and delivered within the year are recorded as expenses in the same year, based on the Accounting Division. Apparently, the timing of the incurrence of expenses and delivery were not considered in the GAD AR.

**31. GAD actual expenses were P2.268 million greater than the GAD attributed budget of P0.746 million due to incorrect salary attribution and non-conformity with Section IV.B.2d of COA Circular No. 2014-001 dated March 18, 2014.**

31.1 Details of the salary attribution for the PAPs included in the PCW-endorsed GPB and AR showed that the actual salary attribution amounting to P3.014 million includes salaries of all participants who attended the GAD activities.

31.2 Section IV.B.2d of COA Circular No. 2014-001 dated March 18, 2014 states that *Personnel Services such as salaries of agency personnel assign to*

*plan, implement and monitor GAD PAPs on full time or part time basis or as an additional duty, and only the salary or wage proportionate to the time devoted to GAD shall be considered in the computation of the cost of the particular GAD activity.*

- 31.3 Conducting proper computation and application of the above-stated COA Circular would result in an accurate presentation of actual expenses on the GAD AR.
- 31.4 **We recommended that Management complies with Section IV.B.2d of COA Circular No. 2014-001 dated March 18, 2014 by attributing only the salary or wage of agency personnel assigned to plan, implement, and monitor the GAD PAPs.**
- 31.5 Management commented that the deviation can be attributed to the following:
  - a. 19 employees availed of the GAD-related leaves; thus, their salaries were attributed to the GAD budget in the duration of their approved leaves. In the preparation of the GPB, according to the GAD focal point person, they can only estimate the allocation of salaries and cannot predict the number of employees who will be availing the GAD-related leaves or the participants in various GAD PAPs. It happened that a significant number of officers and employees actively participated in the conducted GAD PAPs, thus resulting in an increased salary attribution.
  - b. The employees' salaries who participated in the GAD-related activities were attributed to the actual GAD expenses. In its previous GPB, TIEZA has been implementing the same salary attribution and faithfully adhering to PCW and COA policy guidelines. Along this concern, TIEZA consulted with the PCW and was able to confirm that the concern was in order, noting that the actual salary attribution would clearly cover TIEZA officials and employees' actual participation cost in all GAD programs and initiatives.
- 31.6 During the exit conference, the audit team emphasized that strict compliance with Section IV.B.2d of COA Circular No. 2014-001 dated March 18, 2014 is enjoined to properly present the GAD actual expenses on the Agency's GAD AR.

## C. TIEZA ENTITIES

32. TIEZA-Gardens of Malasag Eco-Tourism Village (GMETV) continuously incurred deficit in an accumulated amount of P88.023 million for the last 10 years, thereby casting doubt as to its ability to continue as a going concern as required under Item 1.25 of International Accounting Standards (IAS), and may not be able to sustain its operating functions as mandated under the 25-year Memorandum of Agreement (MOA) with Department of Tourism (DOT), Department of Environment and Natural Resources (DENR), and Local Government Units (LGUs) dated December 14, 2000.

32.1 IAS 1.25 requires management to make an assessment of an entity's ability to continue as a going concern, as quoted:

32.2 *"When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern."*

32.3 Relatively, on December 14, 2000, TIEZA, formerly Philippine Tourism Authority (PTA), entered into a 25-year MOA with the DOT Regional Office No. X, DENR Regional Office No. X, Provincial Government of Misamis Oriental and the City Government of Cagayan de Oro on the management and operations of the GMETV. TIEZA's responsibilities, as stipulated in the MOA, among others, are as follows:

- a. Accept control, supervision, management, operation and maintenance of the GMETV for a minimum period of 25 years subject to renewal for another 25 year period upon agreement by the parties therein;
- b. Establish a management organization that will plan, develop, market and manage the GMETV as a tourist haven and ecology-friendly laboratory for domestic and international tourism purposes;
- c. Plan, strategize, develop, fund and implement such marketing and promotion activities and other necessary physical improvements to ensure the viability and sustainability of GMETV, as well as to enter into business alliances and such other similar legitimate business and economic strategies with the objective of maximizing GMETV's marketing capability as an income generating asset of PTA / TIEZA and DOT.



- 32.4 In our review and analysis of TIEZA-GMETV's transactions and financial statements, we have observed that prior to the rise of the COVID-19 pandemic in CY 2020, it had been incurring significant operating losses since CY 2013, with an accumulated net loss of P51.018 million.
- 32.5 As reported in the prior year's observation and discussed with the management, several operational problems significantly contributed to GMETV's consecutive net losses, such as: non-functioning comfort rooms in the dormitory, in some function halls, and in the cottages; defective air conditioning units in the function halls; lack of water supply; unstable/slow internet connection; lack of personnel (particularly cook/s in the restaurant) and personnel training.
- 32.6 The construction of the eight new cottages, which started in CY 2015, was completed and turned-over for operational use in CY 2020; however, TIEZA-GMETV was then closed for business operations indefinitely since March 2020 due to the COVID-19 pandemic and was utilized as a city isolation unit thereafter, which significantly increased the operational expenses, specifically in the consumption of water and electricity, which further increased its losses. Consequently, the cumulative net loss in CY 2020-2021 amounted to P25.234 million.
- 32.7 No other projects and/or improvement activities were performed during the pandemic. All regular business operations, such as the restaurant, swimming pool, function rooms, cottage accommodations, and other village facilities, were operational in July 2022, resulting in a net deficit of P11.771 million in CY 2022. Payrolls for regular and job order employees, petty cash transactions, utilities, and other village maintenance are being sustained through monthly subsidies from the Head Office.
- 32.8 TIEZA-GMETV unsuccessfully developed projects, programs, and activities to support its viability and sustainability and to carry out its responsibility and objective of maximizing its marketing capability as an income-generating asset within the 25-year contract with the DOT Regional Office No. X, DENR Regional Office No. X, Provincial Government of Misamis Oriental, and City Government of Cagayan de Oro.
- 32.9 With its cumulative net deficit, its ability to continue as a going concern is doubtful, which in effect may hamper the renewal of the contract, that is subject to review and renewal in CY 2025.
- 32.10 We reiterated our previous year's recommendation that top management, together with TIEZA-GMETV's management, evaluate the existing conditions, address the deficiencies, and hire or assign a skilled team to conduct research and development and implement or improve marketing strategies in order to come up with a long-term plan for TIEZA-GMETV, especially since Cagayan de Oro is fast progressing as a tourist destination and is the gateway to Northern Mindanao. Hence, there is a need to maximize TIEZA GMETV's market capability.

**32.11 We recommended that the Management:**

- a. Takes up the cumulative net operating deficit of TIEZA-GMETV since 2013 with TIEZA Head Office and request an assessment of its operations to address deficiencies/lapses, and other existing conditions contributing to the failure of operations, seeking further assistance from the LGU CdO if needed;**
- b. Requests assistance from the TIEZA Head Office in planning, strategizing, developing, and implementing marketing and promotion activities and other necessary physical improvements to insure the viability and sustainability of GMETV, as well as to enter into business alliances and such other similar legitimate business and economic strategies with the objective of maximizing GMETV's marketing capability as an income-generating asset of TIEZA and DOT, which are to be done prior to the review and renewal of the MOA in CY 2025 and to evaluate objectively the GMETV's ability to continue as a going concern; otherwise, discuss other probable options; and**
- c. Coordinates with the concerned officials of the DOT Regional Office No. X, DENR Regional Office No. X, Provincial Government of Misamis Oriental, and City Government of Cagayan de Oro on the upcoming expiration of the MOA and initiate or discuss the necessary review/discussion vis-à-vis the renewal of the contract.**

32.12 During our exit conference, the Management disclosed that they inquired to the Regional Director in DOT, Regional Office No. X on the latest updates and marketing strategy for TIEZA-GMETV. They are hopeful for the talk but admit that the facilities need improvement in order to represent the culture of the tribes of Northern Mindanao while protecting animal and plant life.

32.13 Moreover, it was also disclosed that there has been discussion on the current situation of TIEZA-GMETV financial activities in the Home Office and preliminary discussion on the renewal of the MOA. Discussions were not yet final; nevertheless, they are hopeful in 2023 because the operation is back and there has been restoration in the vicinity.

32.14 We further recommended that the Management consider creating a development plan that will include but not be limited to the following: elaborate and specify the long-term and short-term goals, implementation, and evaluating the results. It will benefit TIEZA-GMETV in aligning its projects, programs, and activities with its mandates.

### 33. Compliance with Tax Laws

33.1 Taxes withheld for the month were remitted on or before the 10<sup>th</sup> day of the following month, except those withheld for the month of December which were remitted on January 30, 2023, consistent with the required remittance on or before the 30<sup>th</sup> day of January of the following year.

33.2 In CY 2022, TIEZA remitted the following:

Income Taxes	<b>136,609</b>
Withholding Taxes - Compensation	<b>35,671,465</b>
Withholding taxes (five per cent Value-Added Tax (VAT), Expanded and Sales/Percentage)	<b>44,617,251</b>
12 per cent VAT	<b>10,923,962</b>

### 34. Compliance with Rules on Government Mandatory Deductions

34.1 For CY 2022, 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.

34.2 TIEZA remitted the amounts of P69.375 million, P7.924 million, and P4.408 million representing employees' contribution, as well as the government share, to GSIS, PhilHealth, and Pag-IBIG, respectively, for the period December 2021 to November 2022.

34.3 Also, TIEZA remitted the amount of P0.735 million to SSS pertaining to the contributions of Contract of Service personnel excluding the employer share for the period December 2021 to November 2022.

34.4 TIEZA made the following remittances in January 2023 which represents the outstanding inter-agency payables of TIEZA to GSIS, PhilHealth, Pag-IBIG, and SSS as of December 31, 2022, as follows:

<b>Particulars</b>	<b>Balance as of December 31, 2022</b>	<b>Remittances on January 2023</b>
Due to GSIS	5,539,052	5,539,052
Due to PhilHealth	754,572	754,572
Due to Pag-IBIG	375,134	375,134
Due to SSS	54,410	54,410

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

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

Audit Action	Beginning Balance January 1, 2022	Issued	Settled	Ending Balance December 31, 2022
Suspensions	11,848,864.00	0	0	11,848,864.00
Disallowances	196,775,729.02	0	223,519.50	196,552,209.52
Charges	0	0	0	0
<b>Total</b>	<b>208,624,593.02</b>	<b>0</b>	223,519.50	<b>208,401,073.52</b>

35.2 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, 2022.

35.3 Notices of Disallowance (NDs) in the aggregate amount of P196.552 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 P13.818 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.

35.4 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

Out of the 44 audit recommendations embodied in prior years' Annual Audit Reports (AARs), 26 were implemented and the remaining 18 which were not implemented are reiterated in Part II of this Report. Details are presented below:

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 1, pages 80-82	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.	<p>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;</p> <p>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</p> <p>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.</p>	<p>All the three recommendations were not implemented.</p> <p>The observations are reiterated with modification/update under Observations and Recommendations No. 1, Part II of this report.</p>
AAR 2021 Observation No. 2, pages 82-83	Investment Property amounting to P114.241 million acquired either by	Management fast track the titling of Investment Property and to consider filing	<p>Not Implemented</p> <p>The observation is reiterated with</p>

Reference	Audit Observations	Recommendations	Status of Implementation
	purchase or donation remained untitled to date, casting doubt whether the Authority holds or controls the rights to these properties.	necessary legal actions against individuals claiming ownership of land acquired by TIEZA, if warranted.	modification/update under Observations and Recommendations No. 2, Part II of this report.
AAR 2021 Observation No. 3, pages 83-86	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.	<p>a. Maintain the assignment of a focal person to communicate directly to the concerned LGUs/NGAs on the submission of required documents;</p> <p>b. Require the Financial Services Department (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</p> <p>c. Demand the return of FTs amounting to P0.748 million confirmed as unutilized by the LGUs.</p>	<p>All the three recommendations were not implemented.</p> <p>The observations are reiterated with modification/update under Observations and Recommendations No. 7, Part II of this report.</p>

Reference	Audit Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 4, pages 86-90	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.	<p>a. Fast-track its study on the subject matter considering the best interest of TIEZA in particular and the Government in general; and</p> <p>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 TIEZA Travel Tax Rules and Regulations Revisions Committee's evaluation as approved by Management.</p>	<p>Both recommendations were not implemented.</p> <p>The observations are reiterated with modification/update under Observations and Recommendations No. 11, Part II of this report.</p>
AAR 2021 Observation No. 5, pages 90-92	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	<p>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</p> <p>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</p>	<p>Both recommendations were not implemented.</p> <p>The observations are reiterated with modification/update under Observations and Recommendations No. 21, Part II of this report.</p>

Reference	Audit Observations	Recommendations	Status of Implementation
	of which is a disservice to the intended beneficiaries of the projects.	supporting documents and to adhere with Section 3.1.1 of COA Circular No. 2009-001.	
AAR 2021 Observation No. 6, pages 92-93	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.	Discontinue the practice of disbursing funds for purposes beyond TIEZA's mandate under the Tourism Act of 2009.	Implemented
AAR 2021 Observation No. 7, pages 93-94	The increase in Representation and Transportation Allowances 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 for the year 2021 and National Budget Circular No. 548 dated May 15, 2013.	Request from the DBM an official statement attesting the correction in equivalent ranks or increase in RATA of TIEZA Officials.	Implemented
AAR 2021 Observation No. 8, pages 95-96	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	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	Not Implemented  The observation is reiterated with modification/update under Observations and Recommendations No. 20, Part II of this report.



Reference	Audit Observations	Recommendations	Status of Implementation
	advances from the contractors or insurance companies.	contractors when the need arises.	
AAR 2021 Observation No. 9, pages 96-100	The Gender and Development (GAD) Accomplishment Report (AR) lacked qualitative success indicators to gauge whether or not the objectives were achieved as intended.	<p>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;</p> <p>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</p> <p>c. Institutionalize the practice of drawing catch up plans, recommend corrective measures, and call the attention of concerned departments or</p>	All the three recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		entities as soon as lapses, inefficiencies, poor accomplishments, inadequate resources, and/or lag behind expected outputs occurred together with persistent follow-ups.	
AAR 2021 Observation No. 10, pages 100-101	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 GAD Plan and Budget for the Fiscal Year (FY) 2021, thus accomplishments of the projects cannot be verified using the tools authorized under Philippine Commission on Women Memorandum Circular (MC) No. 2021-06 dated December 10, 2021.	Submit the complete GAD AR to the audit team for proper validation.	Implemented
AAR 2021 Observation No. 11, pages 101-103	The validity of various transactions at TIEZA Entities could not be ascertained due to non-submission of reports, vouchers and/or supporting documents.	<p>a. Ensure that all JEVs/Disbursement Vouchers (DVs) are supported with relevant documents to support the recording of valid transactions; and</p> <p>b. Evaluate the agency's current organizational structure and manning complement, duly noting the need for</p>	Both recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		additional personnel at TIEZA – Gardens of Malasag Eco-Tourism Village and TIEZA – Balicasag Island Dive Resort and submit the same to the Head Office.	
AAR 2020 Observation No. 4, pages 86-88	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.	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.	Implemented
AAR 2020 Observation No. 10, pages 100-101	The accuracy and existence of Club Intramuros Golf Course Inventories amounting to P1.425 million could not be ascertained due to irregular practices such as issuance of stocks without supporting documents, incomplete maintenance of stock cards, non-conduct of complete physical inventory, and consequently, non-reconciliation of inventory count with accounting and property records.	a. Xx b. Xx c. Maintain complete stock cards for all inventories; d. Conduct annual physical count of all inventories and prepare and submit a Report on the Physical Count of Inventories (RCPI); e. Reconcile the inventory report with the accounting and property records; and	All the four recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		f. Require the accounting of Inventories by implementing recommendations (c) 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.	
AAR 2020 Observation No. 12, pages 104-106	Unserviceable properties with net book value of P233,247 remained undisposed and in the books of accounts as of December 31, 2020, contrary to the provisions of Section 4 of COA Circular No. 89-296 and Sections 2 and 79 of Presidential Decree (PD) No. 1445 or the Government Auditing Code of the Philippines.	<p>a. 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>b. After the disposal, submit the fully accomplished Inventory and Inspection Report of Unserviceable (IIRUP) to the Accounting Unit to derecognize unserviceable properties from the books of accounts; and</p> <p>c. Ensure strict compliance with COA Circular No. 2020-006 dated January 31, 2020 on the one-time cleansing of Property</p>	All the three recommendations were implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
		and Equipment account balances.	
AAR 2019 Observation No. 4, pages 83-85	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.	Not Implemented  The observation is reiterated with modification/update under Observations and Recommendations No. 28, Part II of this report.
AAR 2019 Observation No. 5, pages 85-86	Travel tax assessments amounting to P94.529 million due and collectible from different airlines remained uncollected and unrecorded, depriving the Authority as well as the National Government and other government agencies of additional funds needed for operations and understating the reported Accounts Receivable by the same amount.	a. File the necessary legal actions against erring airlines to protect the interest of the Authority or disclose if there is any alternative plan of action to effectively enforce collection;  b. Set a policy or guidelines on assessments on travel taxes including dues from airlines with ceased operations and from foreign debtors who filed for bankruptcy, allowing the dropping of dormant accounts from the outstanding assessments after collection efforts have been exhausted and proved futile; and	Recommendation (c) was implemented while recommendation (a) and (b) were not implemented.  The observations are reiterated with modification/update under Observations and Recommendations No. 12, Part II of this report.

Reference	Audit Observations	Recommendations	Status of Implementation
		c. Record in the books of accounts the tax revenue and accounts receivable of P94.529 million.	
AAR 2019 Observation No. 7, pages 89-94	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 Financial Services Department (FSD) in collaboration with the Legal Department (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>Recommendation (a) and (c) were not implemented.</p> <p>The observations are reiterated with modification/update under Observations and Recommendations Nos. 3 and 13, Part II of this report.</p>
AAR 2019 Observation No. 10, pages 99-101	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	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	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	regulatory offices could affect the efficiency of public services within enterprise zones.	independence of the TIEZA Regulatory Office (TRO).	
AAR 2019 Observation No. 12, pages 104-107	TIEZA's PCS customized by 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.	Implemented
AAR 2019 Observation No. 17, pages 115-117	The bid of the winning bidder of Mindanao Tourism and Cultural Village Center project was declared as the lowest calculated responsive bid despite the discrepancy between the quantities of eight items in the Bid Form and the Bill of Quantities (BoQ), which is a ground for disqualification under Section 32.2.1.a of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, the Government Procurement Reform Act.  Even granting that the declared winning bid is	Adhere to Sections 32.2 and 34.3 of the same RIRR and require the Technical Working Group (TWG) to submit a complete and detailed report of Bid Evaluation and Post-qualification on the Mindanao Tourism and Cultural Village Center, Davao City project.	Implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	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 that was based on Department of Public Works Department Order (DO) No. 072, series of 2012 instead of DO No. 22, series of 2015.		
AAR 2018 Observation No. 9, pages 84-85	Receivables of Club Intramuros Golf Course (CIGC) aggregating P9.730 million have been dormant for more than five years.	a. Establish a sound internal policy/guideline for accounts receivable management that will facilitate collection.	Implemented
AAR 2018 Observation No. 22, pages 101-102	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.	Implemented
AAR 2018 Observation No. 24, pages 103-107	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 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.	Not implemented.  The observation is reiterated with modification/update under Observations and Recommendations No. 27, Part II of this report.
AAR 2017 Observation No. 26, pages 120-122	Properties of TIEZA Entities remain unutilized:  a. Banaue Hotel and Youth Hostel (BHYH)	a. Prioritize the follow-up of the case and of assistance from the	Both recommendations were implemented.



Reference	Audit Observations	Recommendations	Status of Implementation
	<p>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>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>	
AAR 2015 Observation No. 15, pages 56-57	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.	Implemented
AAR 2015 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.	Implemented