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

CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

June 29, 2018

Mr. ARNOLD T. GONZALES
Officer-in-Charge
Tourism Promotions Board
4th Floor, Legaspi Tower 300, Roxas Boulevard
Manila

Dear Mr. Gonzales:

We are pleased to transmit the Annual Audit Report on the results of the audit of the accounts and transactions of the Tourism Promotions Board (TPB) for the year ended December 31, 2017, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and Status of Implementation of Prior Year's Audit Recommendations.

We expressed a qualified opinion on the fairness of presentation of the financial statements of TPB for the year, in view of the following:

1. The reliability and accuracy of the reported balance of the account Due from National Government Agencies amounting to P441.243 million could not be ascertained due to a) discrepancy of P54.965 million between general (GL) and subsidiary (SL) ledgers; b) doubtful balances of P90.855 million based on implementing officers' confirmation; c) existence of negative balances of P44.715 million; d) advances to officers and employees amounting to P5.197 million was erroneously recorded in the account; e) erroneous posting amounting to P5.197 million; and f) unsubmitted disbursement vouchers totaling P77.959 million, contrary to the provisions of Section 4.6 of PD 1445.

TOURISM PROMOTIONS BOARD
Office of the Chief Operating Officer
RECEIVED
Date: 29 Jun '18
Received by: [signature]

We recommended and Management agreed to:

a. reconcile the balances of the GL and SL and effect the necessary adjustments;

b. coordinate with the Regional and Foreign Offices for the reconciliation and adjust the books if warranted;

c. review/analyze entries made which resulted in the abnormal/negative balances of the account and prepare the necessary adjusting entries; and

d. prepare the adjusting entry by debiting Advances to Officers and Employees and crediting Due from NGAs.

2. The reliability and accuracy of the reported balance of Accounts Payable (AP) of P444.205 million could not be established due to: a) inclusion of negative/abnormal balances of P184.675 million; b) non-submission of supporting documents for contracts amounting to P41.282 million; and c) erroneous accrual expense of approximately P23.846 million.

   We recommended and Management agreed a) to identify the causes of the abnormal balance of the account, b) submit supporting documents of the contracts totaling P41.282 million and c) examine the accruals and effect necessary adjustments.

As discussed in Part II Audit Observations and Recommendations, our audit disclosed the following:

1. The total accumulated amount of P325.190 million representing the 70 per cent share of TPB from the 50 per cent net income of the Duty Free Philippines Corporation (DFPC) for CYs 2011-2016 was not received from the Department of Tourism (DOT) as required in Section 51(b) of the Implementing Rules an Regulations (IRR) of RA No. 9593. TPB failed to record as receivables from NGA and corresponding retained earnings of the unremitted amount of P325.190 million.

   We recommended that the Management:

   a. request the DOT to remit the total amount of P325.190 representing the under remittance of the 70 per cent share of TPB from the 50 per cent share of DOT on the net revenues of DFPC; and

   b. request the DFPC to comply Section 51 (b) of the IRR RA 9593 that the 70 percent share be directly remitted to TPB to avoid under remittance of its share.

2. For the CY 2017, TPB did not set aside ten per cent of the allocations for promotions and marketing as a Special Contingency Fund (SCF) as required under Section 56 of Republic Act (RA) 9593 "Tourism Act". Likewise, a total amount of P91.056 million was transferred from SCF to Corporate Fund without the necessary Board Resolution as required under Section 40 of the said act.

We recommended and management agreed to comply with Section 56 of RA 9593 (Tourism Act of 2009) and Section 40 of its IRR.

3. Various expenses totaling P27.928 million incurred for projects executed in CY 2017 were charged to 2016 Budget (savings) contrary to Section 7.1 and 7.2 of RA 9184. These were not included in the 2017 Annual Procurement Plan (APP) and Project Procurement Management Plan (PPMP).

   Strictly comply Sections 7.1 and 7.2 of RA 9184. Henceforth, expenditures not covered by an approved appropriation should be subjected to inclusion in the supplemental budget.

4. TPB did not timely post the invitation or request for submission of price qoutations/proposals for the entertainers/bands for 2nd Phase of Intramuros Revival Project and consulting services as required under Section 54.2 and 54.3 of RA 9184 Procurement Act, thus, transparency and equal opportunity to parties who are eligible and qualified to participate in competitive bidding was not attained.

   We recommended and Management agreed to strictly comply with the provisions of RA 9184 on the posting of information required under Section 54.2 and 54.3 of RA 9184, Procurement Act and always practice transparency in procuring the needs of the agency.

5. The COO did not approve the Bids and Awards Committee Resolution No. 2017-044 recommending to award the contract for procurement of services to the highest rated and responsive bidder without stating the reasons. Therefore instead he entered into a negotiated contract with the losing bidder as representative of the entertainers for the Second Phase of the Intramuros Revival Project contrary to Section 41 of RA 9184. Moreover, the entertainers hired by TPB were not PhilGEPS registered contrary to Section 8.5.1 and Section IV (G) Annex H of RA 9184.

   We recommended that management strictly adhere with the provisions of RA 9184 to avoid Offenses and Penalties stated in Section 65 of RA 9184 and ensure suppliers, distributors, contractors, and/or consultants are PhilGEPS registrants in compliance with RA 9184.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

WILFREDO A. AGITO
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Approriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government – Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The National Library
The UP Law Center
The COA Commission Central Library

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

CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

June 29, 2018

TOURISM PROMOTIONS BOARD
Office of the Chief Operating Officer
RECEIVED
Date: 29 JUNE 2018
Received by: [signature]

+ 1 copy for the TPB Board of Directors

THE BOARD OF DIRECTORS
Tourism Promotions Board
4th Floor, Legaspi Tower 300, Roxas Boulevard
Manila

Gentlemen:

We are pleased to transmit the Annual Audit Report on the results of the audit of the accounts and transactions of the Tourism Promotions Board (TPB) for the year ended December 31, 2017, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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We expressed a qualified opinion on the fairness of presentation of the financial statements of TPB for the year, in view of the following:

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We recommended and Management agreed to:

a. reconcile the balances of the GL and SL and effect the necessary adjustments;

b. coordinate with the Regional and Foreign Offices for the reconciliation and adjust the books if warranted;

c. review/analyze entries made which resulted in the abnormal/negative balances of the account and prepare the necessary adjusting entries; and

d. prepare the adjusting entry by debiting Advances to Officers and Employees and crediting Due from NGAs.

2. The reliability and accuracy of the reported balance of Accounts Payable (AP) of P444.205 million could not be established due to: a) inclusion of negative/abnormal balances of P184.675 million; b) non-submission of supporting documents for contracts amounting to P41.282 million; and c) erroneous accrual expense of approximately P23.846 million

   We recommended and Management agreed a) to identify the causes of the abnormal balance of the account, b) submit supporting documents of the contracts totaling P41.282 million and c) examine the accruals and effect necessary adjustments.

As discussed in Part II Audit Observations and Recommendations, our audit disclosed the following:

1. The total accumulated amount of P325.190 million representing the 70 per cent share of TPB from the 50 per cent net income of the Duty Free Philippines Corporation (DFPC) for CYs 2011-2016 was not received from the Department of Tourism (DOT) as required in Section 51(b) of the Implementing Rules an Regulations (IRR) of RA No. 9593. TPB failed to record as receivables from NGA and corresponding retained earnings of the unremitted amount of P325.190 million.

   We recommended that the Management:

   a. request the DOT to remit the total amount of P325.190 representing the under remittance of the 70 per cent share of TPB from the 50 per cent share of DOT on the net revenues of DFPC; and

   b. request the DFPC to comply Section 51 (b) of the IRR RA 9593 that the 70 percent share be directly remitted to TPB to avoid under remittance of its share.

2. For the CY 2017, TPB did not set aside ten per cent of the allocations for promotions and marketing as a Special Contingency Fund (SCF) as required under Section 56 of Republic Act (RA) 9593 "Tourism Act". Likewise, a total amount of P91.056 million was transferred from SCF to Corporate Fund without the necessary Board Resolution as required under Section 40 of the said act.

   We recommended and management agreed to comply with Section 56 of RA 9593 (Tourism Act of 2009) and Section 40 of its IRR.

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   Strictly comply Sections 7.1 and 7.2 of RA 9184. Henceforth, expenditures not covered by an approved appropriation should be subjected to inclusion in the supplemental budget.

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   We recommended and Management agreed to strictly comply with the provisions of RA 9184 on the posting of information required under Section 54.2 and 54.3 of RA 9184, Procurement Act and always practice transparency in procuring the needs of the agency.

5. The COO did not approve the Bids and Awards Committee Resolution No. 2017-044 recommending to award the contract for procurement of services to the highest rated and responsive bidder without stating the reasons. Therefore instead he entered into a negotiated contract with the losing bidder as representative of the entertainers for the Second Phase of the Intramuros Revival Project contrary to Section 41 of RA 9184. Moreover, the entertainers hired by TPB were not PhilGEPS registered contrary to Section 8.5.1 and Section IV (G) Annex H of RA 9184.

   We recommended that management strictly adhere with the provisions of RA 9184 to avoid Offenses and Penalties stated in Section 65 of RA 9184 and ensure suppliers, distributors, contractors, and/or consultants are PhilGEPS registrants in compliance with RA 9184.

In a letter of even date, we requested the Officer-in-Charge of TPB that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form and returning the same to us within 60 days from the date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

WILFREDO A. AGITO
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
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The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
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The Secretary of the Department of Budget and Management
The Governance Commission for Government – Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The National Library
The UP Law Center
The COA Commission Central Library

Annex A

(Name of Agency and Address)

AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION

For Calendar year 20 __
As of ___________

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implemetantion, If applicable	Action Taken/Action to be taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

____
Name and Position of Agency Officer

____
Date

Note: Status of Implementation may either be (a) Fully implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed
This template shall be used for Current Year's audit recommendations and Prior Years' recommendations as contained in the Part II-A and B, respectively, of the Annual Audit Report.

Annex B

ACTION PLAN MONITORING TOOL

Sector: ______________________

Team: ______________________

Agency Audited : ______________________

Audit Period: ______________________

AAR Date: ______________________

Prepared by: ______________________ **Date:** __________

Reviewed by: ______________________ **Date:** __________

Approved by: ______________________ **Date:** __________

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION														
Ref	Audit Observations	Audit Recommendation	Action Plan	Person/Dept. Responsible	Target Implementation Date		Status of Implementation	Reason for Partial/Delay/ Non-Implemetantion, If applicable	Action Taken/ Action to be taken	Date of Folow up	Status of Implementation	Actual Implementation Date		Remarks
					From	To						From	To	

Prepared by:

______________________ ______________

Audit Team Leader Date

Note: Status of Implementation may either be (a) Fully implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

TOURISM PROMOTIONS BOARD

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

A. Introduction

The Tourism Promotions Board (TPB), with legal address at 4th Floor, Legaspi Towers 300, Roxas Boulevard corner Vito Cruz, Manila, is a stock corporation created by virtue of Republic Act (RA) No. 9593, known as the Tourism Act of 2009.

The Implementing Rules and Regulations for this Act were issued on November 10, 2009. Under this Act, the Philippine Convention and Visitors Corporation (PCVC) was reorganized as the TPB, and the Bureaus for Domestic and International Tourism Promotions and the Office of Tourism Information of the Department of Tourism (DOT) were absorbed into the TPB.

The TPB is attached to the DOT per Section 28 of RA No. 9593 and shall formulate and implement an integrated domestic and international promotions and marketing program for the DOT.

The Governance Commission for Government Owned and Controlled Corporations (GCG) has approved a new Organization Structure and Staffing Pattern (OSSP) for TPB effective June 30, 2014. Accordingly, all positions under the old OSSP of TPB were deemed abolished.

As of December 31, 2016, TPB has a total personnel complement of 145 composed of 82 regular employees and 63 job order personnel.

TPB is governed by a Board of Directors composed of a Chairman, Vice Chairman, and eight members. Its management is headed by a Chief Operating Officer.

B. Scope of Audit

The audit covered the examination, on a test basis of the accounts, transactions and operations of TPB for calendar year (CY) 2017 in accordance with Philippine Public Sector Standards on Auditing (PPSSA). It was also aimed at expressing an opinion on the fairness of presentation of TPB's financial position, results of operations and cash flows in accordance with PPSSA and at determining TPB's compliance with laws, rules and regulations.

C. Financial Profile

The Financial Position and the Results of Operation of the TPB for the year ended December 31, 2017, are presented on the next page:

I. Comparative Financial Position

		2017		2016		Increase (Decrease)
Assets	P	1,364,735,140	P	1,715,933,175	P	(351,198,035)
Liabilities		697,797,029		1,256,341,881		(558,544,852)
Net Assets/Equity	**P**	**666,938,111**	**P**	**459,591,294**	**P**	**(207,346,817)**

II. Results of Operations

		2017		2016 Restated		Increase (Decrease)
Income	P	54,256,037	P	32,451,395	P	21,804,642
Expenses		979,517,447		931,619,580		(47,897,867)
Income (Loss) before Other Income		**(925,261,410)**		**(899,168,185)**		**(26,093,225)**
Non Operating Income		3,568,822		17,009,079		(13,440,257)
Gain on Foreign Exchange		1,890,753		4,136,255		(2,245,502)
Operating Income (Loss)	**P**	**(919,801,835)**	**P**	**(878,022,851)**	**P**	**(41,778,984)**

III. Budget and Actual Expenditures

	Corporate Operating Budget (in PhP)		Actual (in PhP)	
	2017	**2016**	**2017**	**2016**
Personal Services	P 62,878,000	P 101,479,000	P 57,943,732	P 49,680,210
Maintenance and Operating Expenses	1,737,758,000	1,793,505,000	913.452,933	876.397,325
Capital Expenditures	16,864,000	16,568,000	1,007,798	2,192,846
Total	**P 1,817,500,000**	**P 1,911,552,000**	**P 972,404,463**	**P 928,270,381**

D. Independent Auditor's Report on the Financial Statements

We expressed a qualified opinion on the fairness of presentation of the financial statements of TPB as of December 31, 2017, in view of the following:

1. The reliability and accuracy of the reported balance of the account Due from National Government Agencies amounting to P441.243 million could not be ascertained due to a) discrepancy of P54.965 million between general (GL) and subsidiary (SL) ledgers; b) doubtful balances of P90.855 million based on implementing officers' confirmation; c) existence of negative balances of P44.715 million; d) advances to officers and employees amounting to P5.197 million was erroneously recorded in the account; e) erroneous posting amounting to P5.197 million; and f) unsubmitted disbursement vouchers totaling P77.959 million, contrary to the provisions of Section 4.6 of PD 1445.

2. The reliability and accuracy of the reported balance of Accounts Payable (AP) of P444.205 million could not be established due to: a) inclusion of negative/abnormal balances of P184.675 million; b) non-submission of supporting documents for contracts amounting to P41.282 million; and c) erroneous accrual expense of approximately P23.846 million.

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

1. Reconcile the balances of the GL and SL; coordinate with the Regional and Foreign Offices for the reconciliation; review/analyze entries made which resulted in the abnormal/negative balances of the account and prepare the necessary adjusting entries if warranted. Also, prepare the adjusting entry by debiting Advances to Officers and Employees and crediting Due from NGAs.

2. Identify the causes of the abnormal balance of the account, b) submit supporting documents of the contracts totaling P41.282 million and c) examine the accruals and effect necessary adjustments.

E. Significant Audit Observations and Recommendations

In addition to the audit observations which we considered in the rendition of our qualified opinion, below are other significant audit observations and recommendations, which are discussed in detail in Part II of the Report.

1. The total accumulated amount of P325.190 million representing the 70 per cent share of TPB from the 50 per cent net income of the Duty Free Philippines Corporation (DFPC) for CYs 2011-2016 was not received from the Department of Tourism (DOT) as required in Section 51(b) of the Implementing Rules an Regulations (IRR) of RA No. 9593. TPB failed to record as receivables from NGA and corresponding retained earnings of the unremitted amount of P325.190 million.

   Recommendations:

   a. *Request the DOT to remit the total amount of P325.190 representing the under remittance of the 70 per cent share of TPB from the 50 per cent share of DOT on the net revenues of DFPC; and*

   b. *Request the DFPC to comply Section 51 (b) of the IRR RA 9593 that the 70 percent share be directly remitted to TPB to avoid under remittance of its share.*

2. For the CY 2017, TPB did not set aside ten per cent of the allocations for promotions and marketing as a Special Contingency Fund (SCF) as required under Section 56 of Republic Act (RA) 9593 “Tourism Act”. Likewise, a total amount of P91.056 million was transferred from SCF to Corporate Fund without the necessary Board Resolution as required under Section 40 of the said act.

Recommendation:

Comply with Section 56 of RA 9593 (Tourism Act of 2009) and Section 40 of its IRR.

3. Various expenses totaling P27.928 million incurred for projects executed in CY 2017 were charged to 2016 Budget (savings) contrary to Section 7.1 and 7.2 of RA 9184. These were not included in the 2017 Annual Procurement Plan (APP) and Project Procurement Management Plan (PPMP).

   Recommendation

   Strictly comply Sections 7.1 and 7.2 of RA 9184. Henceforth, expenditures not covered by an approved appropriation should be subjected to inclusion in the supplemental budget.

4. TPB did not timely post the invitation or request for submission of price qoutations/proposals for the entertainers/bands for 2nd Phase of Intramuros Revival Project and consulting services as required under Section 54.2 and 54.3 of RA 9184 Procurement Act, thus, transparency and equal opportunity to parties who are eligible and qualified to participate in competitive bidding was not attained.

   Recommendation:

   Strictly comply with the provisions of RA 9184 on the posting of information required under Section 54.2 and 54.3 of RA 9184, Procurement Act and always practice transparency in procuring the needs of the agency.

5. The COO did not approve the Bids and Awards Committee Resolution No. 2017-044 recommending to award the contract for procurement of services to the highest rated and responsive bidder without stating the reasons. Instead he entered into a negotiated contract with the losing bidder as representative of the entertainers for the Second Phase of the Intramuros Revival Project contrary to Section 41 of RA 9184. Moreover, the entertainers hired by TPB were not PhilGEPS registered contrary to Section 8.5.1 and Section IV (G) Annex H of RA 9184.

   Recommendation:

   Strictly adhere with the provisions of RA 9184 to avoid Offenses and Penalties stated in Section 65 of RA 9184 and ensure suppliers, distributors, contractors, and/or consultants are PhilGEPS registrants in compliance with RA 9184.

F. Summary of Unsettled Audit Suspensions, Charges and Disallowances

The total unsettled audit disallowances as of December 31, 2017, amounted to P350,858.75.

G. Status of Implementation of Prior Year's Audit Recommendations

Of the 31 prior year's recommendations embodied in last year's Annual Audit Report,11 were fully implemented, 12 were partially implemented and eight were not implemented. Details are presented in Part III of the Report.

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

THE TOURISM BOARD
Tourism Promotions Board
Legaspi Towers 300
Roxas Boulevard, Manila

Qualified Opinion

We have audited the financial statements of the **Tourism Promotions Board (TPB**), which comprised the statement of financial position as at December 31, 2017, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of this report, the accompanying financial statements present fairly, in all material respects, the financial position of **TPB** as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Philippine Public Sector Accounting Standards (PPSAS).

Basis for Qualified Opinion

1. The reliability and accuracy of the reported balance of the account Due from National Government Agencies amounting to P441.243 million could not be ascertained due to a) discrepancy of P54.965 million between general (GL) and subsidiary (SL) ledgers; b) doubtful balances of P90.855 million based on implementing officers' confirmation; c) existence of negative balances of P44.715 million; d) advances to officers and employees amounting to P5.197 million was erroneously recorded in the account; e) erroneous posting amounting to P5.197 million; and f) unsubmitted disbursement vouchers totaling P77.959 million, contrary to the provisions of Section 4.6 of PD 1445.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principle (GAAP), 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 the **TPB'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 **TPB** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **TPB's** financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 Philippine Public Standards on Auditing 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Supplementary Information Required Under BIR Revenue Regulation 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees paid or accrued during the taxable year described in Note 13 to the financial statements is presented for purposes 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARY ANN S. MONTA
OIC-Supervising Auditor
Audit Group F
Trading and Promotions Audit Group
Cluster 6, Corporate Government Sector

May 29, 2018

TPBPHL
TOURISM PROMOTIONS BOARD PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS (FS)

The Tourism Promotions Board (TPB) Management is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2017 the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year 2017. The FS's have been prepared in conformity with the Philippine Public Sector Accounting Standards and the generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of the TPB Management with an appropriate consideration to materiality.

In this regard, the TPB Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, that assets are safeguarded against unauthorized use or disposition and that liabilities are recognized.

MARIAN SARAH C. GARATE	CESAR D. MONTANO
Officer-in-charge, Finance Department	Chief Operating Officer
April 18, 2018	25 April 2018
Date Signed	Date Signed

TOURISM PROMOTIONS BOARD
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017
(With corresponding figures for 2016)
(in Philippine Peso)

	Notes	2017	2016 (As restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.2, 4	421,660,955	816,744,464
Investments	5	262,392,164	319,346,262
Receivables	3.3, 6	442,485,551	310,145,972
Inventories	3.4, 7	9,682,321	6,919,499
Prepayments	8	56,519	159,368
Deposits	9	2,981,962	2,981,962
Total Current Assets		**1,139,259,472**	**1,456,297,527**
Non Current Assets			
Investments	3.6, 10	123,600	123,600
Property, Plant and Equipment	3.7, 11	36,025,864	40,139,323
Intangible Assets	12	1,793,275	1,793,275
Other Assets	13	187,532,929	217,579,450
Total Non Current Assets		**225,475,668**	**259,635,648**
TOTAL ASSETS		**1,364,735,140**	**1,715,933,175**
LIABILITIES AND EQUITY			
Liabilities			
Financial Liabilities	14	448,926,586	972,461,302
Inter-Agency Payables	15	171,168,825	217,792,443
Trust Liabilities	16	33,706,347	36,332,419
Other Payables	17	43,995,271	29,755,717
Total Liabilities		**697,797,029**	**1,256,341,881**
Net Assets /Equity			
Government Equity		250,000,000	250,000,000
Accumulated Surplus/(Deficit)		416,938,111	209,591,294
Total Net Assets/Equity		**666,938,111**	**459,591,294**
TOTAL LIABILITIES AND EQUITY		**1,364,735,140**	**1,715,933,175**

The notes on pages 10 to 21 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(in Philippine Peso)

	Notes	2017	2016 (As restated)
Revenue			
Service and Business Income	18	54,256,037	32,451,395
Total Revenue		**54,256,037**	**32,451,395**
Less: Current Operating Expenditures			
Personnel Services	19	57,943,732	49,680,210
Maintenance and Other Operating Expenses	20	913,452,933	876,397,325
Financial Expenses	21	1,720,734	1,305,743
Non-Cash Expenses	22	6,400,048	4,236,302
Total Current Operating Expenditures		**979,517,447**	**931,619,580**
Profit (Loss) from Operations		**(925,261,410)**	**(899,168,185)**
Other Income			
Non-Operating Income	23	3,568,822	17,009,079
Gains on Foreign Exchange	24	1,890,753	4,136,255
Total		**5,459,575**	**21,145,334**
Profit (Loss)		**(919,801,835)**	**(878,022,851)**
Assistance and Subsidy	25	688,030,307	1,052,013,099
Net Income (Loss)		**(231,771,528)**	**173,990,248**

The notes on pages 10 to 21 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(in Philippine Peso)

	2017	2016 (As restated)
GOVERNMENT EQUITY	**250,000,000**	**250,000,000**
RETAINED EARNINGS		
Balance at the Beginning of the Year	209,591,294	38,188,778
Net Income (Loss)	(231,771,528)	173,990,248
Prior Years Adjustments	439,118,345	(2,587,732)
Balance at the End of the Year	**416,938,111**	**209,591,294**
TOTAL EQUITY	**666,938,111**	**459,591,294**

The notes on pages 10 to 21 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF CASH FLOWS
(ALL FUNDS)
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(in Philippine Peso)

	2017	2016 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows		
Subsidy Income from National Government		500,000,000
Subsidy Income from Other National Government Agencies	688,030,307	552,013,098
Service Income - Participation Fees	29,464,674	25,581,894
Other Business Income	18,409,730	
Interest Income	6,381,633	7,499,309
Collection of Receivables	34,528,132	792,999,592
Advances from Other Government Agencies		282,076,040
Refund from cash advances of officers and employees	9,738,396	168,373,071
Employees mandatory contributions and withholding taxes and creditors withholding taxes	29,022,111	36,120,741
Miscellaneous Receipts	53,084,318	63,593,712
Adjustments		10,664
Total cash inflows	**868,659,301**	**2,428,268,121**
Cash outflows		
Personal services	58,040,194	49,425,586
Maintenance and other operating expenses	915,134,179	908,938,818
Payment of Obligations	214,296,850	439,852,159
Payment of Inter-Agency Payables	87,151,461	197,553,288
Advances to officers and employees	10,416,533	(6,493,060)
Fund Transfers	178,832,565	
Prepaid Expenses	4,017	139,352
Due from National Government Agency		285,356,030
Guaranty Deposits		450,000
Local Government Unit	2,000,000	
Prior Year Adjustments	(146,186,689)	
Total cash outflows	**1,319,689,110**	**1,875,222,173**
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(451,029,809)**	**553,045,948**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from matured investments	56,954,098	
Purchase/acquisition of property, plant and equipment	(1,007,798)	(2,192,846)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**55,946,300**	**(2,192,846)**
Adjustments:		
Reclassification of HYSA under Cash to Investment		(319,346,262)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(395,083,509)**	**231,506,840**
CASH AND CASH EQUIVALENTS, JANUARY 1	**816,744,464**	**585,237,624**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**421,660,955**	**816,744,464**

The notes on pages 10 to 21 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Pesos)

Particulars	Notes	Approved Final Budget		Actual Amounts on Comparable Basis		Difference Final Budget and Actual	
		2017	2016	2017	2016 (As restated)	2017	2016
RECEIPTS							
Services and Business Income	**18**	900,311,000	181,000,000	54,256,037	32,451,395	846,054,963	148,548,605
Assistance and Subsidy	**25**	945,276,000	1,730,552,000	688,030,307	1,052,013,099	257,245,693	678,538,901
Gains	**24**	0	0	1,890,753	0	(1,890,753)	0
Total Receipts		**1,845,587,000**	**1,911,552,000**	**744,177,097**	**1,084,464,494**	**1,101,409,903**	**827,087,506**
PAYMENTS							
Personal Services (PS)	**19**	62,878,000	101,479,000	57,943,732	49,680,210	4,934,268	51,798,790
Maintenance & Other Operating Expenses (MOOE)	**20**	1,737,758,000	1,793,505,000	913,452,933	876,397,325	824,305,067	917,107,675
Capital Outlay (CO)		16,864,000	16,568,000	1,007,798	2,192,846	15,856,202	14,375,154
Total Payments		**1,817,500,000**	**1,911,552,000**	**972,404,463**	**928,270,381**	**845,095,537**	**983,281,619**
Net Receipts (Payments)		**28,087,000**	**0**	**(228,227,366)**	**156,194,113**	**256,314,366**	**(156,194,113)**

The notes on pages 10 to 21 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017
(All amounts in Philippine Pesos unless otherwise stated)

1. GENERAL INFORMATION/AGENCY PROFILE

The financial statements of Tourism Promotions Board (TPB) were authorized for issue on April 3, 2017 as shown in the Statement of Management Responsibility for Financial Statements signed by Mr. Cesar D. Montano, the Chief Operating Officer (COO).

The TPB with legal address at Fourth Floor, Legaspi Towers 300, Roxas Boulevard corner Vito Cruz, Manila, is a body corporate attached to the Department of Tourism (DOT) and mandated to be responsible for marketing and promoting the Philippines domestically and internationally as a major global tourism and Meetings, Incentives, Conventions and Exhibitions (MICE) destination.

Republic Act (RA) No. 9593 otherwise known as the Tourism Act of 2009 and its Implementing Rules and Regulations (IRR) provided for the reorganization of the Philippine Convention and Visitors Corporation (PCVC). The Tourism Board under Resolution No.16, series of 2010, confirmed during its June 21, 2010 meeting, the reorganization of the PCVC into the TPB.

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

The financial statements have been prepared in accordance and in compliance with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit (COA) per COA Resolution No. 2014-003 dated January 24, 2014.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements, however, are not prepared by fund cluster contrary to the requirements of COA Circular No. 2016-006. This will be implemented prospectively from calendar year 2018 onwards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. The financial statements are prepared on an accrual basis in accordance with the PPSAS.

3.2. Cash and cash equivalents comprise cash-on-hand and cash-at-bank. Dollar collections are translated into the local currency based on the Bangko Sentral ng Pilipinas daily rate.

3.3. Receivables that remained outstanding for more than five (5) years and identified to be uncollectible were provided with 100 per cent allowance for bad debts.

3.4. Valuation of inventories is at cost based on the moving average method of pricing.

3.5. The asset method is used in recording disbursements when expenditures apply to more than one accounting period.

3.6. Investments are valued at cost.

3.7. Property and equipment are valued at historical cost and depreciation is computed using the straight-line method over the estimated useful life of depreciable assets with 10 per cent residual value. Depreciation for buildings, office equipment and motor vehicles are based on the estimated life of thirty (30), five (5) and seven (7) years, respectively.

4. CASH AND CASH EQUIVALENTS

	2017	2016
Cash on Hand		
Cash - Collecting Officer	0	0
Petty Cash Fund	50,000	50,000
Sub – total	50,000	50,000
Cash in Bank		
Cash in Bank – Current Account (Local Currency)	408,956,320	738,428,633
Cash in Bank – Savings Account (Dollar)	12,654,635	78,265,831
Sub – total	421,610,955	816,694,464
Total Cash and Cash Equivalents	**421,660,955**	**816,744,464**

Dollar deposits were translated into the Philippine peso using the year-end foreign exchange rate of P49.923.

During the year, Cash in Bank - High Yield Savings Account (HYSA) was reclassified to Investment in Time Deposits - Local Currency under Current Assets.

5. INVESTMENTS

This account consists of HYSA with Land Bank of the Philippines (LBP).

	2017	2016
Investments in Time Deposit - Local Currency	262,392,164	319,346,262
Total Investments	**262,392,164**	**319,346,262**

6. RECEIVABLES

This account consists mainly of prior years' annual contributions from other government agencies represented in the Board of Trustees of TPB.

Advances to officers and employees pertain to cash advances granted for official purposes.

Due from officers and employees refers to receivables from employees' disallowances, personal calls, overpayments of salary and overtime.

Due from national government agencies (NGAs) is composed mainly of fund transfers to DOT Regional and Foreign Offices in compliance to the audit recommendation of taking up the said transfers as Inter-Agency Transferred Funds by TPB as the source agency and as a trust liability by the DOT as the implementing agency.

This account also includes receivables from the Department of Foreign Affairs (DFA) and the DOT amounting to P4,200,000 each representing unpaid annual contributions from other government agencies represented in the PCVC-Board of Directors covering the period 1988 - 2008 at P200,000 per annum as provided for under Section 14.1 of Executive Order (EO) No. 120-A dated July 20, 1978. Receivables from these two (2) agencies were not accrued since 2009. An allowance for bad debts for the amount of P8,400,000.00 was provided because of the uncertainty of collections since funds for these were never appropriated. The Board of Directors approved the writing off of the receivables from DOT and the DFA but still needs the submission of approved budgets of these two (2) agencies to prove that there were no appropriations provided for the annual contributions, as advised by the COA Resident Auditor. Once the documents required are complied with, the request for write-off shall be forwarded to the COA Adjudication and Settlement Board.

Due from government-owned or controlled corporations (GOCCs) represent share of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), formerly the Philippine Tourism Authority (PTA) in the ASTA World Congress/other miscellaneous receivables.

Due from Local Government Unit (LGU) represents financial assistance/sponsorship granted to City of Bacoor relative to the project "*Musiko 2017*".

Due from Non-Government Organizations/People's Organizations (NGOs/POs) represents financial assistance/sponsorship granted to Pinoy Village Publishing relative to the Celebration of the *119th Anniversary of Philippine Independence in Singapore* and International School of Sustainable Tourism for *Subic Eco Tourism Festival*.

Details are as follows:

	2017	**2016**
Loans and Receivable accounts		
Due from Officers and Employees	176,056	195,495
Interest Receivables	302,890	761,795
Sub – total	478,946	957,290

	2017	2016
Interest - Agency Receivables		
Due from NGAs	441,242,749	313,462,551
Due from LGUs	2,000,000	0
Due from GOCCs	2,133,031	2,133,031
Due from NGOs/POs	1,550,213	0
Sub – total	446,925,993	315,595,582
Other Receivables		
Advances to Officers and Employees	4,724,848	3,237,342
Other Receivables	114,758	114,752
Sub – total	4,839,606	3,352,094
Total Receivables	**452,244,545**	**319,904,966**
Less: Allowance for Impairment - Accounts Receivables	(9,758,994)	(9,758,994)
Receivables – Net	**442,485,551**	**310,145,972**

7. INVENTORIES

	2017	2016
Other Supplies and Materials Inventory	5,250,146	485,696
Office Supplies Inventory	2,613,566	6,433,803
Other Supplies Inventory (Semi-Expendables)	1,818,609	0
Total Inventories	**9,682,321**	**6,919,499**

The office supplies inventory last 2016 was composed of office supplies and promotional materials. This calendar year (CY) 2017, the promotional materials were reclassified as Other Supplies and Materials Inventory. Other Supplies Inventory is now composed of items costing below P15,000.00 that were classified as semi-expendable per COA Circular No. 2015-007, dated October 22, 2015.

8. PREPAYMENTS

Prepaid insurance pertains to the unexpired portion as of December 31, 2017 of Government Service Insurance System (GSIS) insurance premiums paid for vehicles.

	2017	2016
Prepaid Insurance	56,519	159,368
Other Prepaid Expenses	0	0
Total Prepayments	**56,519**	**159,368**

9. DEPOSITS

This account consists of guaranty deposits made by the agency for gasoline and rentals.

	2017	2016
Guaranty Deposits	2,981,962	2,981,962
Total Deposits	**2,981,962**	**2,981,962**

10. INVESTMENTS

This account represents investment amounting to P123,600 in Philippine Long Distance Telephone Co. preferred shares of stocks as subscribers' investment for telephone lines as required by Presidential Decree No. 217.

	2017	2016
Investment in Stocks	123,600	123,600
Total Deposits	**123,600**	**123,600**

11. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

	Buildings and Other Structures	Office Equipment	Furniture and Fixtures	Books	Motor Vehicles	Info. & Comm. Technology	Other Property, Plants and Equipment	Total
At December 31, 2016								
Cost	21,085,341	23,072,267	5,486,587	81,450	17,212,155	0	1,317,183	68,254,983
Accumulated Depreciation	(8,703,701)	(9,655,297)	(1,444,019)	(69,928)	(7,722,551)	0	(520,164)	(28,115,660)
Net Book Value	12,381,640	13,416,970	4,042,568	11,522	9,489,604	0	797,019	40,139,323
Year Ended, December 31, 2016								
Opening Book Value	12,381,640	13,416,970	4,042,568	11,522	9,489,604		797,019	40,139,323
Additions	1,089,167	2,664,181	715,305		2,022,700	5,622,791		12,114,144
Disposals		(1,365,495)	(668,540)					(2,034,035)
Depreciation for the Year	(114,657)	(2,246,123)	(218,740)	(59)	(1,375,584)	(2,043,986)	(103,869)	(6,103,018)
Accumulated Depreciation on Assets Disposed		1,208,993	584,987					1,793,980
Erroneous Recording		(2,855,918)	(2,190,036)		(4,835,681)		(2,895)	(9,884,530)
Closing Net Book Value	13,356,150	10,822,608	2,265,544	11,463	5,301,039	3,578,805	690,255	36,025,864
At December 31, 2017								
Cost	22,174,508	21,515,035	3,343,316	81,450	14,399,174	5,622,791	1,314,288	68,450,562
Accumulated Depreciation	(8,818,358)	(10,692,427)	(1,077,772)	(69,987)	(9,098,135)	(2,043,986)	(624,033)	(32,424,698)
Net Book Value	**13,356,150**	**10,822,608**	**2,265,544**	**11,463**	**5,301,039**	**3,578,805**	**690,255**	**36,025,864**

12. INTANGIBLE ASSETS

This account consists of Computer Software amounting to P1,793,275.

13. OTHER ASSETS

This account consists mainly of the 10 per cent of the funds for promotions and marketing that is set aside as Special Contingency Fund of TPB and is deposited with LBP:

	2017	2016 As restated
Restricted Fund – (HYSA, LBP)	186,930,285	216,976,806
Other Assets	602,644	602,644
Total Other Assets	**187,532,929**	**217,579,450**

Other Assets refer to the advances of overseas officers whose whereabouts can no longer be located.

On 2017, Software amounting to P1,793,275, was reclassified as Intangible Assets.

14. FINANCIAL LIABILITIES

	2017	2016
Accounts Payable	444,204,510	963,533,400
Due to Officers and Employees	4,722,076	8,927,902
Total Payable Accounts	**448,926,586**	**972,461,302**

Accounts Payable represents outstanding unpaid obligations to suppliers and contractors for the implementation of promotional and marketing projects in 2017.

Due to officers and employees represents their unpaid salaries and allowances, terminal leave and separation incentive package of the retired employees.

15. INTER-AGENCY PAYABLES

	2017	2016
Due to Other NGAs	159,882,515	208,389,258
Due to BIR	4,866,461	3,630,863
Due to Other GOCCs	4,828,631	4,828,631
Due to GSIS	977,904	414,954
Due to PAG-IBIG	545,444	472,575
Due to PHILHEALTH	67,870	56,162
Total **Inter-Agency Payables**	**171,168,825**	**217,792,443**

Due to Other NGAs represents, advances received for the implementation of various tourism promotional/marketing projects and advertising campaign program of the DOT and from the TIEZA and the Duty Free Philippines Corporation (DFPC) are reported as Due to GOCCs.

16. TRUST LIABILITIES

	2017	2016
Bail Bonds Payable	33,657,266	36,283,338
Tax Refund Payable	49,081	49,081
Total Trust Liabilities	**33,706,347**	**36,332,419**

Bail Bonds Payable represents receipts from service providers/suppliers to guarantee their performance to be refunded upon full delivery of service and termination/completion of contract.

Tax Refund Payable refers to over withheld taxes from employees during the year.

17. OTHER PAYABLES

Other Payables consists mainly of unreleased checks amounting to P43,995,271 and P29,755,717 in 2017 and 2016, respectively.

18. REVENUE

	2017	2016 As restated
Service Income		
Participation Fees	47,837,614	25,581,894
Total Service Income	47,837,614	25,581,894
Business Income		
Interest Income	6,377,133	6,696,001
Other Business Income	41,290	173,500
Total Business Income	6,418,423	6,869,501
Total Service and Business Income	**54,256,037**	**32,451,395**

Service income is in the form of participation fees collected from participants to tourism-related seminars and conferences/exhibits.

Business income was derived from the sale of the Best coffee table books.

19. PERSONNEL SERVICES

	2017	2016
Salaries and Wages		
Salaries & Wages - Regular	36,460,906	26,687,825
Salaries & Wages - Casual	0	7,059
Total Salaries and Wages	**36,460,906**	**26,694,884**
Personnel Economic Relief Allowance	2,033,574	1,724,636
Representation Allowance	1,672,167	1,597,416
Transportation Allowance	1,183,399	928,498
Honoraria	866,538	470,446
Overtime Pay	467,376	485,064
Cash Gift	422,000	517,500
Clothing Allowance	384,176	388,413
Productivity Incentive Allowance	2,000	0
Year End Bonus	3,099,923	4,046,420
Other Bonuses and Allowances	4,611,717	755,500
Total Other Compensation	**14,742,870**	**10,913,893**
Personnel Benefit Contributions		
Life & Retirement Insurance Contribution	3,659,841	3,041,616
PHILHEALTH Contributions	313,391	248,227
ECC Contribution	98,200	80,797
PAG-IBIG Contributions	97,000	0
Total Personnel Benefit Contributions	**4,168,432**	**3,370,640**
Other Personnel Benefits		
Incentive and Loyalty Award	116,964	31,280
Terminal Leave Benefits	113,357	3,813,254
Separation Pay	0	359,782
Other Personnel - Fringe Benefits	2,341,203	4,496,477
Total Other Personnel Benefits	**2,571,524**	**8,700,793**
Total Personnel Services	**57,943,732**	**49,680,210**

The increase in *Salaries and Wages* from previous years was due to Salary and Bonuses/Incentives Differential for CY 2017 (Salary Standardization Law/SSL IV tranche 2). The Governance Commission for GOCC (GCG) authorized the agency to adopt the Compensation Framework under EO No. 36, series of 2017.

20. MAINTENANCE AND OTHER OPERATING EXPENSES

	2017	2016
Marketing and Promotional Expenses		
Promotional and Marketing Expenses	837,936,835	800,378,692
Advertising Expenses	0	1,780,953
Total Marketing and Promotional Expenses	**837,936,835**	**802,159,645**

	2017	2016
Travelling Expenses		
Travelling Expenses - Local	660,555	214,325
Travelling Expenses - Foreign	618,097	312,121
Total Travelling Expenses	**1,278,652**	**526,446**
Training Expenses	**7,875,489**	**3,387,327**
Utility Expenses		
Electricity Expenses	2,108,048	1,976,031
Water Expenses	28,671	7,729
Total Utility Expenses	**2,136,719**	**1,983,760**
Supplies and Materials Expenses		
Office Supplies Expenses	2,762,252	2,806,365
Fuel, Oil & Lubricants Expenses	1,034,211	793,848
Other Supplies Expenses	555,533	203,817
Maintenance Materials and Supplies Expenses	0	96,515
Total Supplies and Material Expenses	**4,351,996**	**3,900,545**
Communication Expenses		
Internet Expenses	3,938,623	4,178,673
Telephone Expenses	1,686,937	1,499,137
Cable, Satellite, Telegraph & Radio Exp.	9,000	113,917
Total Communication Expenses	**5,634,560**	**5,791,727**
Professional Services		
Auditing Services	5,495,442	124,203
Consultancy Services	1,861,080	1,140,388
Board Members/Directors Allowances & Other Benefits	173,000	342,889
Other Professional Services	21,314,156	8,919,881
Total Professional Services	**28,843,678**	**10,527,361**
General Services		
Security Services	5,201,281	3,464,397
Janitorial Services	2,823,969	2,361,379
Total General Services	**8,025,250**	**5,825,776**
Repairs & Maintenance		
Repairs & Maintenance - Land Transport Equipment	1,059,125	968,308
Repairs & Maintenance - Office Building	722,974	4,369,749
Repairs & Maintenance - Office Equipment	112,950	87,560
Repairs & Maintenance - Furniture and Fixtures	109,376	121,440
Total Repairs and Maintenance	**2,004,425**	**5,547,057**

	2017	2016
Confidential, Intelligence and Extraordinary Expenses	**274,479**	**0**
Taxes, Duties and Licenses		
Taxes, Duties & Licenses	1,728,107	1,410,787
Insurance Expenses	549,558	392,238
Fidelity Bond Premium	138,166	52,724
Total Taxes, Duties and Licenses	**2,415,831**	**1,855,749**
Other Maintenance and Operating Expenses		
Rent Expenses	7,106,133	5,061,806
Membership Dues & Contribution to Organizations	2,157,704	1,053,543
Representation Expenses	2,021,617	1,569,381
Printing and Binding Expenses	222,020	2,297,451
Subscription Expenses	144,521	445,747
Transportation and Delivery Expense	37,364	71,372
Documentary Stamp	25,577	0
Donations	6,000	57,315
Contingent and Emergency Expenses	0	22,841,903
Gender and Development Expenses	0	1,175,627
Cultural and Athletic Expenses	0	229,934
Other Maintenance and Operating Expense	954,083	0
Miscellaneous Expenses	0	87,853
Total Other Maintenance and Operating Expenses	12,675,019	34,891,932
Total Maintenance and Other Operating Expenses	**913,452,933**	**876,397,325**

The adequacy of funds brought by the remittances from the 25 per cent share from the dividend remittances from Philippine Amusement and Gaming Corporation (PAGCOR), airports and seaports for P688 million was used to finance and implement the programs and projects of TPB.

21. FINANCIAL EXPENSES

	2017	2016
Bank Charges	1,720,734	1,305,743
Total Financial Expenses	**1,720,734**	**1,305,743**

22. NON-CASH EXPENSES

	2017	2016 As restated
Depreciation Expense - Office Equipment	4,290,109	2,062,137
Depreciation Expense - Land Transport Eqpt.	1,375,584	1,639,320
Depreciation Expense - Furniture & Fixtures	218,740	304,895
Depreciation Expense - Building & Structures	114,657	114,657
Depreciation Expense - Other PPE	103,869	103,869
Depreciation Expense - Books	59	59
Loss on Sale of Asset	240,055	0
Loss on Foreign Exchange	56,975	11,365
Total Non-Cash Expenses	**6,400,048**	**4,236,302**

The Losses account represents Loss on Foreign exchange recognized from the refund of savings from cash advances and fund transfers in foreign currencies and Loss from Sale of Assets.

23. NON-OPERATING INCOME

	2017	2016 As restated
Miscellaneous Income	3,568,822	17,009,079
Total Other Non-Operating Income	**3,568,822**	**17,009,079**

Miscellaneous income was derived from sale of scrap materials, bid documents, sponsorship and booth rental payments from GOCCs to various projects.

24. GAINS

The *Gains* account represents the gain on foreign exchange arising from difference between the foreign currency monetary items recorded using spot rates and the foreign currency monetary items converted using the closing rate, breakdown as follows:

The gain on foreign exchange as of December 31, 2017 in LBP dollar account is as follows:

Balance of dollar deposits per books (based on prevailing dollar rates at dates of deposit) LBP	10,713,450
Adjustments	(50,433)
Revalued balance (1 USD = P49.923)	12,654,636
Balance, December 31, 2017	12,604,203
Gain on Foreign Exchange – Valuation as of December 31, 2017	**P1,890,753**

25. ASSISTANCE AND SUBSIDY

	2017	2016
Subsidy Income from National Government	0	500,000,000
Subsidy from Other NGAs	688,030,307	552,013,099
Total Assistance and Subsidy	**688,030,307**	**1,052,013,099**

The subsidy income is the appropriation provided by the national government to the corporation for its promotions and marketing expenses, breakdown as follows:

25% share from the dividends remitted in CY 2015 by PAGCOR, airports and seaports	628,055,453
Subsidy remittances from DFPC thru DOT (include Trust Liability Account funds reclass as Budgetary Support)	59,974,854
Total	**688,030,307**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial Audit

1. The reliability and accuracy of the reported balance of the account Due from National Government Agencies (NGAs) amounting to P441.243 million could not be ascertained due to a) discrepancy of P54.965 million between general and subsidiary ledgers; b) doubtful balances of P90.855 million based on implementing officers' confirmation; c) existence of negative balances of P44.715 million; d) erroneous posting amounting to P5.197 million; and e) un-submitted disbursement vouchers totalling P77.959 million, contrary to the provisions of Section 4.6 of PD 1445

1.1 Examination of the Due from NGAs account revealed that there was discrepancy between the balance reported in the General Ledger (GL) and the Subsidiary Ledger (SL) in the amount of P54.964 million.

1.2 In the confirmation made with the PDOT Foreign Offices, P86.625 million of the outstanding balances were confirmed and identified to be incorrect. The officers provided scanned copies of supporting documents for the various projects subject for detailed reconciliation.

1.3 PDOT India, per its confirmation reply, averred that they did not have an obligation to return or liquidate the amount of P231,903 to TPB, in fact, it is TPB that has an obligation of $17,851 or P0.891 million peso equivalent (at US$1 = P49.23 as of December 31, 2017).

1.4 PDOT London on the other hand, replied that they have an outstanding balance of GBP0.67650 million or approximately P47.355 million (GBP1=PHP70) which included large remittances received in October, November 2017 and others in December 2017 which were all due for liquidation. As compared to the reported P43.023 million in the TPB books, there was an understatement of Due from NGAs of P4.331 million.

1.5 Also, the schedule of the account Due from NGAs showed negative/abnormal balances totaling to P44.855 million of which P44.715 million and P 139,867 were Due from PDOT Foreign Offices and DOT Regional Offices, respectively.

1.6 Further, fund remittance to PDOT Malaysia amounting to P2.552 million and liquidations of fund transfers of PDOT Shanghai and PDOT Korea in the total amount of P7.750 million were erroneously posted to Advances to Officer and Employees account, resulting in the overstatement of Due from NGAs account by P5.198 million.

1.7 The 73 disbursement vouchers (DVs) covering P89.844 million fund releases of TPB through Automatic Debit Agreement (ADA) were not supported with proper documentation thus, werenot in accordance with Section 4.6 of PD 1445 and COA Circular No. 2012-001. A total of 34 out of the 73 vouchers represented fund transfers to other government agencies totalling P77.959 million.

1.8 In view of the above-cited deficiencies, the reliability and accuracy of the reported account balance of Due from NGAs of P441.243 could not be ascertained.

1.9 ***We recommended and Management agreed to:***

   a. ***reconcile the balances of the GL and SL and effect the necessary adjustments;***

   b. ***coordinate with the Regional and Foreign Offices for the reconciliation and adjust the books if warranted;***

   c. ***review/analyze entries made which resulted in the abnormal/negative balances of the account and prepare the necessary adjusting entries;***

   d. ***prepare the adjusting entry by debiting Advances to Officers and Employees and crediting Due from NGAs; and***

   e. ***submit all disbursement vouchers together with their supporting documents to COA for audit purposes.***

2. **The reliability and accuracy of the reported balance of Accounts Payable (AP) of P444.205 million could not be established due to: a) negative/abnormal balances of P184.675 million; b) non-submission of supporting documents for contracts amounting to P41.282 million; and c) erroneous accruals of expenses approximately P23.846 million.**

2.1 This is a reiteration of prior year's audit observation.

2.2 Review of the detailed schedule of accounts payable as of December 31, 2017 showed various accounts with abnormal/debit balances totaling P184.675 million. The Accounting Division (AD) did not conduct analysis of the entries to find out the causes of the abnormal/debit balances of payables. The abnormal balances could be the result of errors in recording or overpayments to creditors/suppliers.

2.3 In addition, the previous accountant recorded several adjusting entries to correct the supposed debit balances of the prior years. However, this proved to be of no effect since the balances still resulted in abnormal balances. The current personnel handling the account assured that analysis and reconciliation of the affected accounts will be undertaken.

2.4 Further, supporting documents for approved contracts pertaining to claims from TPB amounting to P41.282 million were not submitted to the audit team by the AD, thus, the existence and accuracy of the said payables cannot be ascertained.

2.5 Furthermore, erroneous accrual of expenses approximately totalling P23.846 million pertaining to expenses incurred in 2016 and 2018 were recorded in CY 2017 as Accounts Payable as of December 31, 2017, thus, overstating AP and understating Retained Earnings by the said amount.

2.6 As observed in the previous years, one of the causes of the overstatement of liabilities was the practice of accruing expenses based on the approved budget utilization slips (BUS). Thus expenses incurred in 2016 amounting to P1.234 million and those to be incurred in 2018 amounting to P22.612 million, or a total of P23.846 million were recorded as liabilities/AP of the CY 2017. The BUS were approved in 2017.

2.7 ***We recommended and Management agreed to a) identify the causes of the abnormal balance of the account; b) submit supporting documents of the contracts totaling P41.292 million; and c) examine the accruals and effect the necessary adjustments.***

3. The total accumulated amount of P325.190 million representing the 70 per cent share of TPB from the 50 per cent net income of the Duty Free Philippines Corporation (DFPC) for CYs 2011-2016 was not received by TPB from the Department of Tourism (DOT) as required in Section 51(b) of the Implementing Rules and Regulations (IRR) of RA No. 9593. TPB failed to record as receivables from NGA and corresponding retained earnings the unremitted amount of P325.190 million.

3.1 Section 51 (b) (3) of the R.A. No. 9593 Tourism Act of 2009 requires that:

> *"Remittance of the 70* per cent *of the 50* per cent *share of the DOT from DFPC annual profits shall be made directly by the DFPC to the PTPB: Provided, however, that the Secretary is directly and officially informed of transactions every time that said remittance is made."*

3.2 Review of remittances of the DOT representing TPB's 70 percent share in net revenues of DFPC revealed that TPB did not receive the entire share from the net revenues of DFPC as mandated in RA 9593. Upon confirmation, DFPC remitted 50 percent of its net revenues to DOT, however, TPBs share for CYs 2011 to 2013 and 2015 were not remitted entirely by the DOT. Remitted amounts were equivalent only to 8.02 percent, 10.06 percent, 61.12 percent and 95.17 percent, respectively, of the mandated 70 percent. While, for CYs 2014 and 2016, remittances were in excess of the 70 percent share of the Agency. Thus, the accumulated under remitted shares to TPB amounted to P325.190 million from CYs 2011-2016, computed as follows:

Year	DFPC Reported Net Earnings	50% Remitted to DOT	TPB (70% of the 50% of DOT share)	Actual Remittances Made	Over (Under) Remittance	Percentage Actual to the 70% Share
2011	623,271,556	311,635,778	218,145,044	17,500,000	(200,645,044)	8.02
2012	545,133,625	272,566,813	190,796,769	19,200,000	(171,596,769)	10.06
2013	376,492,326	188,246,163	131,772,314	80,542,357	(51,229,957)	61.12
2014	270,848,853	135,424,426	94,797,099	147,538,811	52,741,712	155.64
2015	217,727,855	108,863,928	76,204,749	72,521,701	(3,683,048)	95.17
2016	164,212,768	82,106,384	57,474,469	106,697,099	49,222,630	185.64
TOTAL	**2,197,686,983**	**1,098,843,491**	**769,190,444**	**443,999,968**	**(325,190,476)**	

3.3 ***We recommended that the Management:***

a. ***request the DOT to remit the total amount of P325.190 million representing the under remittance of the 70 percent share of TPB from the 50 percent share of the DOT on the net revenues of DFPC; and***

b. ***request the DFPC to comply Section 51 (b) of the IRR R.A. 9593 that the 70 percent share be directly remitted to TPB to avoid under remittance of its share.***

3.4 The Management commented that TPB – Finance Department shall set-up a meeting with the representatives of the DOT – Financial Management Service to discuss in – depth the said under- remittances vis-à –vis findings of over remittance by the DOT caused by the DFPC's adjustment in their financial statement. Apparently, the Commission on Audit opined that concessionaire fee (income) should be excluded in the computation of the 70% share of the 50% net income due to the TPB. Also, TPB shall relay also the audit recommendation for DFPC to remit directly to the TPB its share pursuant to RA 9593.

4. Travel Expense – Foreign year end account balance of P0.618 million was understated by P26.622 million due to erroneous recording of travel expenses incurred for foreign travels and DSA granted and incurred in prior years but liquidated in CY 2017 amounting to P24.676 million and P1.946 million, respectively, under Advertising, Promotional and Marketing Expenses account.

4.1 TPB records showed that Travelling Expenses-Foreign incurred in CY 2017 amounted only to P0.618 million, despite the numerous travels undertaken by the officials and employees. Upon examination, it was noted that said account was understated by P24.676 million.

4.2 The discrepancy was pinpointed to the erroneous classification/recording of various travel related expenses such as the pre-departure allowances totalling P310,500, cost of air tickets of P8.647 million, and daily subsistence allowances (DSA) totalling P15.719 million for the foreign travels of TPB officers and employees or a total of P26.676 million as Advertising, Promotional and Marketing Expenses.

4.3 Further, DSAs granted and incurred in CY 2015-2016 but liquidated only in CY 2017 totalling P1.946 million were also recognized as 2017 Advertising, Promotional and Marketing Expenses.

4.4 ***We recommended that Management require the Accounting Department (AD) to observe proper charging of expenses such as the cost of foreign travels should be recorded as Travel Expenses-Foreign instead of Advertising, Promotional and Marketing Expenses and prior years' expenses should be recorded as an adjustment to Retained Earnings.***

5. **TPB recognized in CY 2017 income of P18.373 million and expenses of P20.598 million earned and incurred, respectively in CY 2016, resulting in the overstatement of income and expenses by the said amounts.**

5.1 Philippine Public Sector Accounting Standard (PPSAS) No. 1 and Section 6(b), Chapter 2, Volume I of the GAM which provides that:

The consolidated] financial statements are prepared on an accrual basis.
Sec. 6. Basic Government Accounting and Budget Reporting Principles. Each entity shall recognize and present its financial transactions and operations conformably to the following: x x x

b. accrual basis of accounting in accordance with the PPSAS; x x x

5.2 Income earned from the joint venture for ASEAN Tourism Forum (ATF) held last January 18-25, 2016 was recognized as income in CY 2017 resulting in the overstatement of revenues by P18.373 million, understatement of receivables by P2.241 million, and retained earnings by P20.614 million.

5.3 In January 2017, TPB received the amount of $368,594 or P18.373 million representing part of its share in the income of the ASEAN Tourism Forum conducted last January 18-25, 2016. This was recognized as revenues of 2017 instead of income for 2016. In addition, receivables amounting to $44,893 or P2.245 million should have been recorded for the unremitted share in the income for the said event.

5.4 Expenses amounting to P20.598 million incurred in CY 2016 were also recorded as expenses in current year, thus, overstating the expenses for CY 2017.

5.5 Review of the Check Disbursement Journal and analysis of expenses for CY 2017 revealed that the Accounting Division (AD) recorded expenses totaling P20.598 million, incurred in 2016, as expenses for the current year. Thus, the expenses for CY 2017 were overstated by P20.598 million, as shown below:

Expense	Amount
Advertising , Promotional and Marketing Expense (5-02-99-010)	20,068,293
Janitorial Services (5-02-12-020)	242,501
Security Services (5-02-12-030)	191,163
Internet Expenses 5-02-05-030	62,500
Bank Charges	33,374
TOTAL	**20,597,831**

5.6 ***We recommended and Management agreed to require the AD to observe the accrual basis of accounting, thus recording the income in the period when it was actually earned and recognizing expenses in the period when these were incurred.***

6. **The accuracy and validity of the Advances to Officers and Employees account of P4.725 million was doubtful due to: a) variances of P308,468 between the general ledger (GL) and subsidiary ledgers (SL); b) understatement of Advances to Officers and Employees amounting to P5.198 million due to erroneous posting of transactions; c) incorrect balances of P361,464 based on the confirmation of outstanding balance with various accountable officers.**

   6.1 Advances to Officers and Employees of P4.725 million as reported the Statement of Financial Position as of December 31, 2017 differed from the reported balance of P5.033 million per Status of Cash Advances (based on the subsidiary ledgers) or a discrepancy of P308,468.

   6.2 Further examination of the books showed erroneous postings as additions and charges to the advances accounts with net understatement of P5.164 million resulting from the confirmation with the implementing officers. Fund transfers to PDOT Malaysia amounting to P2.552 million and liquidations of fund transfers of PDOT Shanghai and PDOT Korea of P7.750 million were all posted to Advances to Officer and Employees account.

   6.3 Electronic mail confirmations were made to the accountable officers and employees of TPB to validate the legitimacy of the recorded balances, however, based on the replies, there was an overstatement in the Advances to Officers and Employees amounting to P361,464 due to the omission/non-inclusion of refunds made and unrecorded liquidation reports as of December 31, 2017.

   6.4 ***We recommended and Management agreed to require concerned personnel to:***

      a. ***Conduct reconciliation of the reported balances in the financial statements, and subsidiary ledgers;***

      b. ***Prepare adjusting entry for erroneous posting by debiting Advances to Officers and Employees and crediting Due to NGAs; and***

      c. ***Ensure that the grants and liquidations of cash advances are properly accounted and duly recorded in the books.***

7. **Investment and Other Assets-Restricted Fund accounts were understated by P303,076 and P198,614, respectively, when compared to the Bank confirmation as of December 31, 2017; unadjusted stale checks amounting to P437,000 also understated Cash in Bank account.**

   7.1 Comparison of the bank's confirmation of actual deposits with TPB's record as of December 31, 2017 revealed that the Investment and Other Assets-Restricted Fund accounts balance were understated by P303,076 and P198,614, respectively. Details are shown below:

Account	Per Bank's Confirmation	Per Books	Under Statement
Investment	262,695,240	262,392,164	303,076

Other Assets -Restricted Fund	187,128,899	186,930,285	198,614
Total	449,824,139	449,322,449	501,689

7.2 This is a reiteration of prior year's observation. Stale checks in the amount of P437,000 pertaining to checks issued for the period July 30, 2014 to May 17, 2017, which were not claimed/negotiated by payees, were not cancelled and were still presented as reconciling items in the Monthly Bank Reconciliation Statements as outstanding checks. Notwithstanding the lapse of a considerable period of time, no adjustments were taken-up in the books to cancel the checks and adjust/restate the cash in bank balance and the corresponding liabilities, thus, understating the said accounts by P437,000.

7.3 ***We recommended that Management require the Accounting Division to:***

a. prepare the necessary reconciliation between the book and bank balances and effect the necessary adjustment where appropriate; and

b. revert back to cash in bank and recognize the liability for the stale checks amounting to P437,000.

8. Semi-expendable items totaling P3.440 million with acquisition cost below the threshold of P15,000 were recorded as Property Plant and Equipment (PPE) and newly acquired office equipment totaling P0.849 million and furniture & fixtures totaling P295,100 were not included in the computation of depreciation hence, depreciation expense for 2017 was understated by P166,627.

8.1 This is a reiteration of last year's observation. Review of the annual inventory report revealed that various semi-expendable items were still classified as Machinery & Equipment, Furniture & Fixture, and Other Property, Plant and Equipment amounting to P0.879 million, P2.035 million, and P0.526 million, respectively, rather than expense which is contrary to COA Circular 2016-006.

8.2 Semi-expendable items totaling P3.440 million with acquisition cost below the threshold of P15,000 were recorded as PPE, contrary to the provisions of COA Circular 2016-006.

8.3 Also, review of the computation of depreciation for CY 2017 revealed that some newly acquired PPEs were not depreciated for the year. Likewise, one motor vehicle was under depreciated based on the computation of depreciation. Honda civic with a unit cost of P1,134,304 was under depreciated by P91,277 having it depreciated by only P62,664 instead of P153,941 with a useful life of seven years and five per cent residual value.

8.4 **We recommended and Management agreed to comply with COA Circular 2016-06. Analyze PPE accounts and reclassify items costing below P15,000 as semi expendable items and prepare adjusting entries to correct the understatement of depreciation for the aforementioned equipment.**

9. Understatement of Other Supplies and Materials Inventory (Promotional Materials and Giveaways Promo items) amounting to P 1.735 million due to non-inclusion of Draw String Pouch worth P1.135 million procured in December 2017 and the P0.600 million difference between the result of the physical inventory count and balance per stock card.

9.1 Verification of Other Supplies and Materials Inventory (Promotional Materials and giveaways) disclosed that procurement of Draw String Pouch worth P1.135 million in December 2017 was not included in the Actual inventory report of the PGSD. Moreover, comparison between the stock cards of promo items with the Actual inventory report made by PGSD dated December 28, 2017 revealed that there were discrepancies amounting to P0.600 million with the balances per stock cards. According to the property custodian, actual inventory count was conducted on February 2018, thus quantities per stock card reflected the balance as of December 31, 2017.

9.2 The non-adjustment of the above items by the PGSD resulted in the understatement of Other Supplies and Materials Inventory (Promotional Materials and Give Aways) account by P1.735 million since the AD adjusted the inventory account based on the annual inventory report of PGSD.

9.3 ***We recommended and Management agreed to require the PGSD to:***

a. adjust/add back issuances from the date of actual count up to the year end to present the actual inventory as of December 31; and

b. reconcile and account for the discrepancies of the ending balance of promotional materials per stock card and per annual inventory report at the end of the year.

10. Management prepared only one (1) set of financial statements (FS) instead of preparing two (2) sets of FS in CY2017, one for the transactions out of the Corporate Operating Budget covering corporate revenues of P54.256 million and another for the Special Accounts under the General Fund (SAGF) transactions covering funds from the national government of P688.030 million as required per COA Circular 2014-003.

10.1 TPB is classified as a Non- government business entity (GBE) corporation. It is identified in the UACS as the recipient of the proceeds from the investment earnings of the Tourism Promotions Trust, Dividend shares from PAGCOR, Duty Free Philippines Corporation and others as provided under R. A. No. 9593. As such, it is required under COA Circular 2016-006 dated December 29, 2016 to adopt the reporting framework Philippine Public Sector Accounting Standards. However, the Special Accounts under the General Fund (SAGF) transactions shall be recorded in a separate set of books of accounts as provided under existing regulations.

10.2 TPB did not comply with the requirements of the abovementioned circulars. Accounting Division (AD) prepared only one (1) set of financial statements (FS) instead of preparing two (2) FS; namely: a) GOCC with SAGF for the maintenance of separate books for the SAGF transactions and b) Consolidated FS for Non-GBE GOCC Funds except for SAGF and Detailed Financial Statements per fund to exclude SAGF.

10.3 Subsidy Income from other national government agencies in CY 2017 amounted to P688,030,307 comprised of shares from PAGCOR of P628,055,453 and DOT of P59,974,854. Revenues in CY 2017 from operations of TPB amounted to P54,256,037.

10.4 According to the OIC, AD, they have problems on preparing financial statements on a per fund format in view of the following:

a. It will sacrifice the comparability factor since prior years FS were not presented on a per fund format.

b. For the whole year of 2017, they did not prepare JEVs and Journals on a per fund basis. They could work back and trace transactions beginning of 2017 but it would be very time consuming. Establishing the beginning balances of 2017 will also need substantial amount of time.

c. The Circular was released late in Dec 2017 to be implemented in the same year. They are honestly struggling with the transition.

10.5 ***We recommended that management strictly comply with COA Circular 2017-004 dated December 13, 2017 and COA Circular No. 2015-002 dated March 9, 2015, and prepare two separate Financial Statements; namely: a) SAGF accounts and b) Consolidated FS for Non-GBE GOCC Funds except for SAGF and Detailed per fund FS except for SAGF.***

B. Compliance Audit

11. For the CY 2017, TPB did not set aside the required ten percent of the allocation for promotions and marketing as a Special Contingency Fund (SCF) pursuant to Section 56 of Republic Act (RA) 9593 “Tourism Act”. Likewise, a total amount of P91.056 million was transferred from SCF to Corporate Funds without the necessary Board Resolution as required under Section 40 of the said act.

11.1 Section 56 of the Republic Act 9593 “Tourism Act” requires:

> *Special Contingency Fund. – At the beginning of each year, ten percent of the allocation for promotions and marketing shall be set aside as a Special Contingency Fund of the TPB. This shall be used in the event of emergencies to provide the TPB with sufficient resources to undertake marketing and promotions activities that will encourage sustained tourism interest in the Philippines and that will address the adverse effects of these emergencies*.

11.2 TPB allocated the 10 per cent in the budget only but no actual transfer of funds to the SCF was effected. Board Resolution No. 136 dated June 13, 2017 approved the TPB Corporate Operating Budget for FY 2017. The budget included Special Contingency Fund of P147.089 million, representing ten percent of the total budget for marketing and promotional expenses. However, review of the accounts of the SCF (High Yield Savings Account (1-02-11-010) and Restricted Fund (1-99-4-010), disclosed that there were no funds added thereto except for the interest earned during the year.

11.3 Further, a total of P91.056 million were transferred in November 2017 from SCF to Corporate Fund. Said transfers however, were not supported with Board Resolution as required under Section 40(c) of the Implementing Rules and Regulations (IRR) of the Tourism Act, which provides that:

> "*The Tourism Board shall have the following powers and duties:*
>
> *(c) Approve the utilization of the Special Contingency Fund to meet the adverse effects of emergencies;"*

11.4 ***We recommended and Management agreed to comply with Section 56 of RA 9593 (Tourism Act of 2009) and Section 40 of its IRR.***

11.5 TPB still retains the P192.324 million excluding the equity of P250.000 million and its interest considering that the TPB Board Resolution No. 129 approved the P14.089 million as the TPB's SCF. In effect, the SCF is intact notwithstanding the transfer of P91.056 million to Corporate Fund.

11.6 **Team's rejoinder**: It is specifically provided in Section 56 of the Republic Act 9593 that at the beginning of each year, ten percent of the allocation for promotions and marketing shall be set aside as SCF. Likewise, there should be an approval from BOT for the utilization of the SCF pursuant to Section 40 of the enabling law.

12. Foreign travels undertaken by the Chief Operating Officer (COO) and OIC, Deputy for International Promotions for CY 2017 were more than 12 times incurring travel expenses totaling P2.276 million and P1.957 million, respectively. Multiple foreign travels of the Private Secretary (PS) and the Executive Assistant (EA) in accompanying the COO costing P2.995 million were deemed excessive and impaired TPB's compliance with Section 50 of RA 9593. Moreover, Business class air tickets amounting to P0.594 million were purchased for two (2) foreign travels of the COO, contrary to Section 10 of EO 248 as amended by Section 7 of EO 298 dated March 23, 2004.

12.1 Records show that the Chief Operating Officer (COO) and the OIC, Deputy Chief Operating Officer (DCOO) for International Promotions undertook fourteen (14) foreign travels totaling 91 days and sixteen (16) travels totaling 113 days, respectively, in Asia, Europe, Australia and North America incurring a total of P2.277 million and P1.958 million, respectively, in expenses.

12.2 Section 6.1 of COA Circular 2012-003 dated October 29, 2012 defined extravagant expenditures as:

The term “extravagant expenditure” signifies those incurred without restraint, judiciousness and economy. Extravagant expenditures exceed the bounds of propriety. These expenditures are immoderate, prodigal, lavish, luxurious, grossly excessive, and injudicious.

12.3 Travel abroad for more than 90 days and more than twelve (12) times in a year of an officer or employee is deemed excessive and may have adverse repercussions on the management of the affairs of the government corporation. We noted that the COO travelled to attend various events together with his EA and PS for 10 and 11 foreign travels, respectively. For these travels, TPB incurred the additional expenses of P2.995 million for the purpose of assisting the COO in his foreign travels, which is deemed excessive and unnecessary.

12.4 The purpose of the travels of the COO and OIC-DCOO as indicated in the travel orders were to represent TPB as head of the Philippine delegation in official functions and in meetings with foreign counterparts, to coordinate overall arrangements and requirements, oversee the marketing and promotions activities relative to the Philippines' participation in various events. There were also events where the OIC, DCOO was sent to assist the COO in certain functions. The PS and EA also joined the travels to assist the COO in his official travels.

12.5 We have noted that frequent travels were undertaken by TPB officials since their mandate is to market Philippine tourism local and abroad. However, as an austerity measure and in consonance with Section 50 of RA No. 9593, the TPB should find ways to minimize the cost and optimize the performance of duties of its officers and employees for an effective and efficient organization.

12.6 We also noted that business class air tickets amounting to P0.594 million were purchased on two (2) foreign travels of the Chief Operating Officer, contrary to Section 10 of EO 248 as amended by Section 7 of EO 298 dated March 23, 2004 which requires that official transportation shall be of the restricted economy class unless otherwise authorized by the President of the Philippines.

12.7 Further, post-audit of the Liquidation Reports disclosed for the travels of the Chief Operating Officer (COO) to Russia on May 21, 2017 and to Canada and USA on May 31 to June 7, 2017 in the amount of P248,866 and P345,319, respectively, disclosed that two (2) business class air fares totalling P0.594 million were paid from TPB funds contrary to Section 10 of EO 248 as amended by Section 7 of EO 298 dated March 23, 2004 which requires that official transportation shall be of the restricted economy class unless otherwise authorized by the President of the Philippines.

12.8 ***We recommended that Management:***

a. Set limits on the travels of officers abroad and revisit TPB’s policies and operating manual on strategies for Marketing and Promotions abroad so as to develop an effective and economical annual plan with proper costing of foreign and local travels; and

b. Ensure that official transportation shall be of the restricted economy class unless authorized by the President of the Philippines.

13. Various expenses totaling P27.928 million incurred for projects executed in CY 2017 were charged to CY2016 Budget (savings) contrary to Sections 7.1 and 7.2 of RA 9184. These were not included in the 2017 Annual Procurement Plan (APP) and Project Procurement Management Plan (PPMP).

13.1 Review of the expenses incurred in CY 2017 revealed that various projects and grant of financial assistance totaling to P27.928 million were charged to the purported savings under the CY2016 Budget.

13.2 The projects were implemented in CY 2017, thus, funding thereof should have been included in the 2017 Budget, APP and PPMP. The incurrence of the expenditures and charging to CY 2017 funds of the said projects were contrary to Sections 7.1 and 7.2 of RA 9184; viz:

Sections 7.1 and 7.2 of RA 9184 require that:

> *" 7.1. All **procurement shall be within the approved budget** of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity. Consistent with government fiscal discipline measures, only those considered crucial to the efficient discharge of governmental functions shall be included in the **Annual Procurement Plan (APP**). . . "*
>
> *"7.2. No procurement shall be undertaken unless it is in accordance with the approved APP, including approved changes thereto. The APP must be consistent with the duly **approved yearly budget** of the Procuring Entity and shall bear the approval of the HoPE or second-ranking official designated by the HoPE to act on his behalf."*

13.3 Records show that the total financial assistance for booked events undertaken in the CY2017 per approved APP and PPMP amounted to P2.5 million only, while actual sponsorships/financial assistance amounted to more than P50 million, of which P15.400 million were charged to the 2016 budget.

13.4 ***We recommended that Management strictly comply with Sections 7.1 and 7.2 of RA 9184. Henceforth expenditures not covered by an approved appropriation should be subjected to inclusion in the supplemental budget.***

13.5 Management commented that pending approval of the FY 2017 COB, The Finance Department deemed it proper to charge the total amount of P17.345 million representing the financial requirements of the TPB programs/projects/activities (PPA) for the first quarter of CY 2017. This measure was implemented as not to hamper or delay the operations of TPB. The balance of P10.583 million represents those PPA which were charged to the savings of FY 2016.

13.6 **Team's rejoinder**: TPB should have included the said projects in FY 2017 COB since these were implemented/executed in 2017 pursuant to Section 7.1 and 7.2 of RA 9184.

14. Various Cash advances in the total of P5.033 million remained outstanding as of December 31, 2017 contrary to Section 5.8 of COA Circular 97-002 (Guidelines on the granting and utilization of cash advances).

14.1 Section 5.8 provides that all cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the Accountable Officer shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.

14.2 The outstanding balances of P5.033 million as of December 31, 2017 were comprised of P4.901 million advances granted in CY 2017 and P132,674 advances granted in CY 2016. Moreover, cash advances of P1.384 million remained unliquidated for more than 30 days after due date of liquidation.

14.3 ***We recommended that TPB Finance inform the TPB Officers and Employees on the policy of full liquidation of outstanding cash advances at year end and strictly demand and monitor its compliance.***

15. Cash Advances were granted to TPB employees who had unsettled/ unliquidated advances which practice was not aligned to Section 4.1.2 of COA Circular 97-002 requiring that no additional cash advances shall be granted to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

15.1 It was noted that cash advances of P0.986 million were granted to four employees who had unliquidated advances that remained outstanding as of December 31, 2017. Moreover, cash advance of P0.500 million was granted on January 20, 2017 and additional cash advance of P0.500 million was granted on January 31, 2017 for the 2nd Phase of the Intramuros Revival Project. The latter was granted without liquidating the previous cash advance. The cash advance granted on January 20, 2017 was liquidated on February 7, 2017.

15.2 Confirmation from the accountable officers disclosed that the submission of the liquidation reports were delayed due to missing receipts caused by late submissions of by the suppliers.

15.3 ***We recommended and Management agreed that the AD strictly ensure that the employees and officers submit a liquidation report of prior granted cash advance before grant of a new cash advance.***

16. Non-trade advances were granted to TPB's officers, who were not bonded or whose bond were insufficient to cover the maximum cash accountability contrary to Section 4.1 of the Treasury Circular No. 02-009 dated August 6, 2009.

16.1 Section 4.1 of the Treasury Circular No. 02-009 dated August 6, 2009 provides that an officer or employee permitted possession, custody or control of funds or properties for which he is accountable shall be deemed a bondable officer and shall be bonded and his fidelity insured with the Fidelity Fund.

16.2 Examination of fidelity bonds of special disbursing officers revealed that cash advances were granted to officers who were not bonded or whose bond were insufficient to cover the amount of cash advance granted.

16.3 Moreover, cash advances for expenses relative to the holding of the Intramuros Revival project Phase II on January 23 to February 26, 2017 were granted to an officer who was bonded for P0.500 million. The non-liquidation of the first cash advance of P0.500 million and the grant of a second cash advance of the same amount resulted to total accountability of P1 million; thus, an excess over the approved bond of P0.500 million.

16.4 ***We recommended and Management agreed to strictly comply with Treasury Circular No. 02-009, and ensure that there is a regular monitoring and update of fidelity bonds; limit grant of cash advance based on the maximum accountability of the approved bond.***

17. Cash payments out of the cash advance, ranging from P15,750 to P180,000, with a total amount of P1.420 million were made, in excess of the P15,000 limitation allowed for petty expenses, contrary to Section 4.3.2 of COA Circular No. 97-002 dated February 10, 1997. Moreover, TPB did not impose the corresponding withholding taxes from the cash payments to entertainers.

17.1 Section 4.3.2 of COA Circular No. 97-002 requires that *p*ayments out of the cash advance shall be allowed only for amounts not exceeding P15,000.00 for each transaction, except when a higher amount is allowed by law and/or specific authority by the Commission on Audit.

17.2 Review of the disbursements for the 2nd Phase of Intramuros Revival (Tourism Fiesta 2017) revealed that various expenses were paid in cash (with gross amount) ranging from P15,750 to P180,000 in violation of the said regulation.

17.3 In addition, TPB did not impose the required Expanded Withholding Tax and the Withholding Tax on Government Money Payments (GMP) - Percentage Taxes required by the BIR from the cash payments to entertainers for their performances from January 23 - 31, 2017.

17.4 ***We recommended and Management agreed to observe the threshold on payments out of the cash advance to not more than P15,000 and always impose the required withholding taxes from the payees.***

18. TPB did not timely post the invitation or request for submission of price quotations/proposals from the entertainers/bands/performers for the 2nd Phase of Intramuros Revival Project and consulting services as required under Section 54.2 and 54.3 of RA 9184 Procurement Act, thus, transparency and equal opportunity to parties who are eligible and qualified to participate were not attained.

18.1 A memorandum dated January 10, 2017 was issued by the Secretary of Tourism directing its attached agencies including TPB to provide full support for the implementation of the 2nd Phase of the Intramuros Revival Project from January 18 to February 17, 2017. On January 17, 2017, a memorandum from the Office of the Undersecretary of Tourism informed that the said event was moved from January 23 to February 25, 2017.

18.2 On January 20, 2017, memoranda of agreements were executed by and between TPB and the CEO/President as representative of the show's entertainers/ performers for the performances presented for the said project.

18.3 TPB did not comply with the requirements of Section 54.2 and 54.3 of RA 9184 (Government the Procurement Act) on the posting of the invitation or request for submission of price quotations/proposals and other information instead Negotiated Contracts were immediately executed by TPB with the entertainers.

18.4 TPB also hired a company for consulting services that provided sales training, marketing, consulting and executive coaching in leadership. It was conducted in two sessions (3-4 hours per session) on January 30 and 31, 2017. The total contract price was P78,400. Check No. 367611 dated February 9, 2017 amounting to P73,500 was issued. It was also noted thru review of the disbursement voucher that the payment was not supported with the attendance sheet with signature of the attendees/participants. The attachments to the voucher included only the terms of reference, billing and the training materials/module during the training.

18.5 The non-compliance with the pertinent provisions RA 9184 hampered giving equal opportunity to parties who are eligible and qualified to participate in the bidding and transparency in the selection process was not attained thus the most advantageous price for said transactions were not obtained.

18.6 ***We recommended and Management agreed to strictly comply with the provisions of RA 9184 on the posting of information required under Section 54.2 and 54.3 of RA 9184 Procurement Act and always practice transparency in procuring the needs of the agency.***

18.7 Management reasoned that the consulting services were procured to expose the newly assumed officers of the agency on sales training, marketing, consulting and executive coaching in leadership.

18.8 **Team's Rejoinder:** The audit team did not question the reasons for the hiring of training consultant, but the failure of TPB to adhere to the requirements of RA 9184.

19. The COO did not approve the Bids and Awards Committee (BAC) Resolution No. 2017-044 recommending to award the contract for procurement of services to the highest rated and responsive bidder without stating the reasons. Instead he entered into a negotiated contract with the losing bidder as representative of the entertainers for the Second Phase of the Intramuros Revival Project contrary to

Section 41 of RA 9184. Moreover, the entertainers hired by TPB were not PhilGEPS registered contrary to Section 8.5.1 and Section IV (G) Annex H of RA9184.

19.1 Purchase Request No. 1-128, with an approved budget of P1 million for the procurement of services of an events management company for the 2nd Phase of the Intramuros Revival Projects, was issued on January 23, 2017. It was requested by the OIC, Corporate Affairs and approved by the COO.

19.2 The request for quotations (RFQ) dated January 31, 2017 were posted in the PhilGEPS and TPB websites as well as in conspicuous places in the premises of TPB on February 1-7, 2017. The approved budget for the contract (ABC) was ₱1.00 million. The quotations were opened on February 10, 2017. BAC upon the recommendation of the evaluators and after due deliberation of the submitted price quotation and presentations, recommended that the contract be awarded to the highest rated and most responsive proposal thru issuance of BAC Resolution No. 2017-044 dated February 14, 2017. The Chairperson and BAC members signed the said resolution. However, the COO did not approve the BAC resolution neither did he indicate the reasons for the rejection. Hence, the said resolution was not implemented; instead a negotiated procurement through artistic work as provided under the 2016 IRR of RA 9184 was executed.

19.3 TPB used the mode of negotiated procurement on hiring the entertainers wherein they employed various artists managed by the losing bidder in the bidding conducted on February 14, 2017.

19.4 The Memorandum of Agreement entered into by and between TPB and the artists was signed by the COO of TPB and the Manager/CEO/President of the losing bidder, as the representative of the entertainers/performers. The signatures of the artists/entertainers/performers were included in the MOA; an authorization letter of the managers of the bands, except for Chikabebs, authorized the representative to collect the talent fees which shall be payable in the name of the latter authorized representative. The authorization letters stated that the bands had been their artist since January to February 2017.

19.5 We also noted that the entertainers hired by TPB were not PhilGEPS registered contrary to Section 8.5.1 and Section IV (G) Annex H of RA9184. Only the representative/manager was a PhilGEPS registrant. Since these were negotiated contract/direct hiring of the entertainers, the PhilGEPS registration of the entertainers was required.

19.6 ***We recommended that Management strictly adhere with the provisions of RA 9184 to avoid Offenses and Penalties stated in Section 65 of RA 9184 and ensure suppliers, distributors, contractors, and/or consultants are PhilGEPS registrants in compliance with RA 9184.***

19.7 Management commented that the HOPE deemed that the BAC's decision had no weight since the quality of service of both bidders were rated low. Accordingly there was no basis in awarding the contract to the other party even if the price was lower. It was HOPE's prerogative to enter into a negotiated procurement since he believed that the entertainers of his choice were more capable of providing a world class service instead of the winning bidder recommended by the BAC. Further, they opined that the Philgeps registration of the managing company alone was sufficient since it represented the artists involved. The COO believed that he had implemented the 2nd phase of the Intramuros Revival Project in good faith and requests an impartial audit on the first phase of the project.

19.8 **Team's rejoinder** – The reasons for not approving the said BAC resolution must be indicated in the said resolution. Since, it was a direct contracting, the entertainers should be Philgeps registrants as required in RA 9184.

20. The agreement for the consideration of P11.200 million was entered into by and between TPB and entity even without the approval of the Board of Directors (BOD). Likewise, the validity and regularity of the expenses incurred could not be determined due to the non-submission of liquidation report by the company.

20.1 On January 5, 2017, a company submitted their proposal and invited the TPB as co-presenter for staging the concert festival entitled "Fusion 2017: Forward, the Phil. Music Festival Year 3" on January 27,2017 at the SM Mall of Asia Concert grounds.

20.2 On January 18, 2017, a Sponsorship Agreement was executed by and between TPB, represented by the COO and the Manager for the FUSION concert festival to stage the said event. Under the agreement, TPB shall provide sponsorship investment of P11.200 million inclusive of taxes, while, the company shall provide admission tickets (50 VIP, 150 Gold, and 834 silver), event plugs (television, radio and Out of Home (OOH) advertisements, print, and digital ads), and ground media values (booth allocation). It was also stipulated in the said agreement that the company shall submit not later than April 27, 2017 a liquidation report showing actual utilization of the sponsorship fund covered by the agreement supported with relevant proof of expenditures such as but not limited to vouchers, official receipts, sales invoice and checks. TPB paid the P11.200 million in tranches from February–April 2017. However, the company did not submit the required liquidation report.

20.3 We noted that the agreement with a contract price of P11.200 million was approved by the COO on March 31, 2017, even though the CY 2017 projects, budgets and work plans were not yet approved by the TPB Board, and there was no board resolution issued for the approval of the said project. Thus, the agreement was contrary to TPB Board Resolution (BR) No. 33 dated June 25, 2013 amending TPB BR No. 6 dated November 20, 2012 which states-

" x x x the Limits of Signing Authority provided for in Resolution No. 6, Series of 2012, be, as it is hereby, amended to require the signature of the Chairman of the Board as co-signatory for the approval of the following . . . :.

1. *Disbursement Vouchers involving Five Million Pesos and above;*
2. *Checks and Transfers of Funds (Instructions to Banks) involving Five Million Pesos and above*

Provided, however, that the general budget for the project to be covered by the disbursement voucher and check has been previously approved by the TPB Board;

RESOLVED FURTHER, that the signature of the Chairman of the Board as Co-Signatory for the signing/approval of contracts and agreements involving Five Million pesos and above shall no longer be required;

RESOLVED FINALLY, that once a project and its budget and work plan are already approved by the TPB Governing Board, the Chief Operating Officer (COO) is already given the corresponding authority to implement and execute the same. The COO shall submit to the Board a progress report on such project on quarterly basis. xxx"

20.4 As of the reporting date, the CY 2017 projects, budgets and work plans were not yet approved by the TPB Board, thus, contract relative to the project involving five million above was not yet signed/approved by the Chairman of the Board as co-signatory as required by the above resolution.

20.5 ***We recommended that Management:***

a. strictly comply with TPB BR No. 33, series of 2013 requiring the signature of the Chair of the Board for the approval of the contract, DVs and checks for transactions with budgets/work plans that have not been approved by the Board ; and

b. require project proponents to submit liquidation reports supported with the original documents such as Official Receipts (ORs), Sale Invoices (SI) and other documents to prove the validity and regularity of the utilization of the fund granted.

20.6 Management commented that the general budget for the said project had not been previously approved by the TPB-BOD. Therefore, it is correct that the expenses for Fusion 2017 was charged to the balance of the FY 2016 Marketing Communication (Marcom) budget, and the chairperson was not required as a co-signatory to the checks issued since the amounts were less than five million. The project officer in charge consistently followed up the submission of liquidation report.

20.7 **Team's Rejoinder**: The total project cost was P11.200 million (over the threshold of Five million set by the Board) and the FY 2017 was not yet approved by the BOD, then it was required/necessary that this project be approved by the Chairman of the Board. The project was executed in CY 2017, thus, the budget must be also charged to the same year and not CY 2016.

21. Overstocking of promotional materials amounting to more than P2.95 million from four months to more than two years was contrary to the provisions of the General Appropriations Act requiring that procurement shall not exceed the agency's two-months requirement.

21.1 This is a reiteration of prior year's observation.

21.2 Verification disclosed that there were items still in the warehouse as of December 31, 2017, which were procured in 2015 and 2016. Procurements were made even though there were still stocks on hand.

21.3 One of the causes of overstocking was procurement of items with different designs and materials although there were still stocks on hand of the same kind.

21.4 ***We recommended that Management:***

a. comply with the GAA provision and limit the procurement for only two (2) months requirements of the agency to avoid overstocking that may result in losses to TPB due to damages thereto as well as obsolescence; and

b. issue the available promo materials before authorizing the procurement of additional promo materials.

22. Existence of long outstanding balances and overdue unreconciled items relative to the funds transferred to Implementing Agencies (IAs) as of December 31, 2017, were contrary to the provisions of Sections 4.6, 4.9, 6.4 and 6.5 of COA Circular No. 94-013 (Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies).

22.1 Evaluation of the account Due from NGAs showed that 82 per cent or P316.048 million represented funds transferred to IAs of TPB projects/programs that had been outstanding for more than 60 days/unreasonable length of time.

22.2 COA Circular 94-013 dated December 13, 1994, as amended, requires that: "*within 10 days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report on the utilization of the funds"*. This provision was not consistently followed in the processing of fund transfers to IAs. No month end or after the agreed period for project implementation reports were received by the TPB on the status and utilization of the funds.

22.3 Out of the total of P386.277 million outstanding balances of Due from NGAs account as of December 31, 2017, 82 per cent or P316.048 million pertained to completed events/projects liquidation for which had been overdue for more than 60 days.

22.4 TPB had continuously been conducting reconciliation of the accounts to amend the Report on Aging of the Accounts of the Philippine Department Tourism (PDOT) Foreign Offices. Despite the Accounting Division's effort, there was a significant increase of 72 per cent or P120.517 million on the more than 60 days unliquidated fund transfers, from P168.041 million to P288.558 million from December 31, 2016 and December 31, 2017, respectively.

22.5 ***We recommended and Management agreed to:***

a. Ensure that Sections 4.6, 4.9 and 6.5 of COA Circular No. 94-013 are strictly complied with by both the TPB and the Implementing Agencies of its projects/programs;

b. ***Demand from the concerned DOT and PDOT Officers to submit certified Report of Fund Transfers and Report of Disbursements with schedule of expenses for the period covered to facilitate the reconciliation and liquidation; and***

c. ***Issue demand letters to IAs with unutilized balances of funds transferred and require the return to TPB of excess funds for the completed projects.***

23. TPB did not revert undocumented dormant accounts payable (AP) amounting to P103.812 million to Retained Earnings (RE) in consonance with Executive Order No. 108 dated June 10, 1999 and DBM - COA Joint Circular No. 99-6 dated November 13, 1999, thus, overstating AP and understating RE by the said amount.

23.1 Accounts recorded in CYs 2014 and 2015 which were without supporting documents, totaling to P103.812 million were not reverted to the RE in consonance with Executive Order No. 108 dated June 10, 1999 and DBM-COA Joint Circular No. 99-06 dated November 13, 1999, thus overstating AP and understating RE by the said amount.

23.2 This is a reiteration of prior year's audit observation, the obligations in CYs 2006 and 2007 totaling P1.453 million, although outstanding for more than two years, could not be reverted to RE since these pertain to unpaid cost of audit. The COA's Summary of Assessments, Remittances and Balances as of January 8, 2018 showed an outstanding balance of P4.664 million. TPB, however, has a record of an unpaid balance of P5.053 million or a discrepancy of P389,000 resulting from an error of including the prior balance in the accrual for the current year.

23.3 Further, the liability pertaining to Dentsu Philippines although outstanding as of 2015 cannot also be reverted to RE. Payment thereof was put on hold due to unresolved issues.

23.4 ***We recommended and Management agreed to:***

a. ***Verify the supporting documents of the recorded payables and determine the nature of the accounts; and***

b. ***If there is no valid claim, reverse the accounts payable outstanding for two years or more to the RE as prescribed under Executive Order No. 108 dated June 10, 1999 and implemented by DBM–COA Joint Circular No. 99-6 dated November 13, 1999.***

C. Performance Audit

24. TPB granted financial sponsorships totaling P7.000 million to various organizations, local government units (LGUs) and private corporations ranging

from P50,000 to P4.200 million for events not related with promoting Philippines tourism as mandated in Sections 36 and 37 of the IRR for the 2009 Tourism Act.

24.1 Section 36, Rule III, Chapter 1 of IRR of Tourism Act on the M*andate of TPB .*

> *"The PTPB shall be responsible for marketing and promoting the Philippines . . . . the regular local and international* ***advertisement of the country's major tourism destinations and other tourism products,*** *including Tourism Economic Zones (TEZs); and* **providing incentives** *to travel agencies, tour operators, wholesalers and investors abroad capable of drawing a sizeable number of tourists and tourism investments to the country."*

24.2 Review of the memoranda of agreements (MOA) and the releases of the financial assistance to tourism proponents revealed that TPB granted assistance amounting to P7.000 million to various organizations, local government units (LGUs) and private corporations. Review of the objective/s of the said activities/projects revealed that these were not related to promoting the country as a tourism destination/enticing tourists to visit the country's tourism destinations and enjoying its products. The objectives of the grants for financial assistance/sponsorship were purely for the media mileage/value obtained by TPB as sponsor of the events. Media mileages, such as live acknowledgement, radio/television advertisement and print advertisement/posters with the inclusion of TPB logo as co-presenter of the event, were the only deliverables given in return by the requesting parties. These had no bearing on the promotion of the different tourist destinations in the country. Events funded by the P7 million releases were as follows:

Check No	Particulars/Description of the Events	Amount
376386	Sponsorship re: Make Your Move for Marawi Let's Go Dance Competition last July 22, 2017	4,200,000
376572	Financial Assistance for the Musiko 2017:Grandest marching Band Parade and show competition as part of the Bakood Festival 2017 (for event shirt printing 1,000 pcs. and layout and construction of 4 sets of lighted welcome arch)	2,000,000
376234	Sponsorship re: Mother's Day Fun Run Takbo para sa Ilaw ng Tahanan A Mother's Day Fun Run at Quirino Grandstand on May 14,2017	500,000
375423	Financial Support re Padyak Palawan	150,000
375717	Financial Assistance re 4th Musica Sacra held on Aug. 13 &14, 2016	100,000
376692	Sponsorship US Independence Day Charity Golf Tournament 7/4/17	50,000
	TOTAL	**7,000,000**

24.3 Promotion of the TPB through media mileage such as inclusion of logos, graphic presentations, signboards of TPB and DOT, was not only contrary to COA Circular No. 2013-004 sub-par. 2.2.6 but also not consonant to the mandate of TPB which is the promotion of the Philippines as a tourism destination and its tourism products.

24.4 ***We recommended that Management stop the granting of financial assistance and/or sponsorship to local government units and corporations whose projects or activities that are not related to the promotion of Philippine tourism/not within TPB's mandate.***

24.5 Management commented that Musiko 2017 served as a qualifying round for the 2018 International Marching Band Competition. In addition, the meeting of the confederation with 30 delegates from Asia, US and France led to the Philippine hosting, which will bring foreign tourists and tourism receipts.

24.6 **Team's Rejoinde**r: TPB's financial assistance of P2.00 million was used for the printing of 1,000 event shirts and lay out and construction of welcome arch, which were not necessary.

25. TPB has no set of guidelines in granting financial assistance/sponsorship (FA/S) for projects/events to proponents/organizers. The basis for granting was the expected media value/mileage obtained by TPB; thus: financial assistance were granted to: a) proponents with no evaluations as to their capacity to finance the event/project; b) proponents whose capacity to finance the event/project were rated low; and c) proponents with equity participation of less than the required 20 percent of the project cost. Further, Return of investments (ROI) and submission of liquidation and terminal project reports by the proponents were not among the considerations for the approval of the grant/financial assistance.

25.1 TPB granted financial assistance/sponsorship amounting to approximately P58.169 million for CY 2017 ranging from P50,000 to P12.034 million. Majority of the grantees were private companies that submitted their requests for financial assistance/sponsorships. The TPB Project Officer (PO) evaluated the request/ project proposal relative to the expected benefits that could be derived from such project/event in terms of media mileage, benefit to Philippine economy, etc. The PO rated the project/evaluate as none, low, medium, or high on Promotional impact to Tourism/TPB, Financial requirement, and Improvement to International Linkages and comparison of the cost of advertisements to be made with the amount requested by the proponent. The PO recommended the grant when the cost of advertisements was higher/in excess of the requested amount.

25.2 The said evaluation shall be approved by the OIC, Marketing Communications Department and the COO. Once approved, a Memorandum of Agreement (MOA) with the project proponent is executed. Legal documents were also required by TPB from the proponents as stipulated in the MOA such as:

- Certificate of Registration, business permit;
- Audited Financial reports for the past three years;

- Work and Financial Plan (WFP) –proof of equity <u>equivalent to 20 per cent of the total project cost, and others</u>

25.3 It was observed that financial assistance were granted to some proponents even if no evaluations were made to determine their capability to finance the project/event, the need for financial assistance and the reasonableness of the amount of FA to be granted. As evidence thereto, the audited financial statements were submitted after the signing of the MOA.

25.4 Generally, the MOA executed included a provision requiring the proponents to shoulder 20 percent share of total project costs. There were instances when FA were granted to proponents whose equity provided for the event was equivalent to less than 20 per cent of the total project cost such as the Philippine Exhibits and Theme Parks Corporation (PETCO) which was granted a total of P12.034 million.

25.5 On October 28, 2016, PETCO thru its President, informed DOT Sec. Wanda Teo Tulfo that they would organize exhibitions at the Intramuros in line with the Intramuros Revival Project of the DOT. On 29 November 2016, the DOT Secretary issued a Memorandum directing the three Undersecretaries of DOT and the Heads of TIEZA, TPB and Intramuros Administration (IA) to extend full support for the implementation of the Intramuros Revival Project to commence on December 2016 until January 2017. In its proposed partnership program for Pasko sa Intramuros a Memorandum of Agreement (MOA) was entered into by and among DOT, TPB, TIEZA, IA and PETCO.

25.6 It was stated in the MOA that the Intramuros Revival Project is a "consortium" of the above mentioned government agencies. They also agreed to the request of PETCO for financial sponsorship investment/partnership to cover the expenses for physical and technical requirements, entertainment, bazaar, publicity, promotions, printing and booth rentals. In addition, it provided that TPB will provide entertainment, bazaar, publicity, promotions, printing and booths thru the grant of financial assistance in the amount P12.034 million, while TIEZA will provide financial assistance of P15.884 million, PETCO's share for the overall event organization was P3.000 million representing 9.7 percent of the total project cost of P30.919 million which was not in consonant to the mandated requirement of 20 per cent equity from the proponent.

25.7 Further, verification disclosed that financial assistance were granted to proponents whose proposal appear to be without evaluation and to proponent that obtained low evaluation rating.

25.8 Verification of the ratings in the evaluation of proposals submitted by proponents requesting for financial assistance amounting to P1 million revealed that three of 13 projects/events proposal duly approved and granted with FA had no ratings/evaluation made by TPB. Another project obtained low ratings and yet TPB granted P4.00 million in financial assistance for the sponsorship of Battle of Palawan held on November 10, 2017 for the "55th Oriental and Pacific Boxing Federation Convention" upon the recommendation of the COO purportedly to further strengthen the sport of boxing and to discover the next boxing superstar.

25.9 Furthermore, sponsorships/financial assistance were granted in excess of the requested amount of the proponent and/or amount recommended by the project officer (PO).

25.10 The contract price of P10.500 million, net of taxes, was paid to the proponent of the Fusion project. Said amount was P0.500 million higher than the original proposal of the proponent. In his letter dated January 5, 2017 to TPB as co-presenter of Fusion, the proponent admitted that they reduced the package to P10.000 million net of all taxes.

25.11 Review of the disbursement vouchers in the gross amount of P11.200 million showed that the taxes deducted were 2 per cent expanded tax and 5 per cent final VAT, thus, the net amount of the FA was P10.500 million, which was higher by P0.500 million than the proponent's proposal of P10.000 million. The P11.200 million was recommended by the PO and approved by the COO and the OIC, Marketing Communications.

25.12 TPB Management required its Finance Department to review the vouchers and called the attention of the proponent. They requested COA for time extension to reply to the AOM.

25.13 Excess FA vis-à-vis proposal granted to the Automobile Association of the Philippine Inc. (AAAPI). On December 22, 2017 the AAAPI invited the TPB as major partner for the 2017 Metro Manila Tourism Forum held on February 9-10, 2017 by providing financial assistance amounting to P1 million. The project proposal evaluation form prepared by the PO, approved for endorsement by OIC, Industry Relations and Services Division, and Recommending approval by OIC, Domestic Promotions Department recommended to support the event as sponsor/partner of P0.500 million. However, the MOA executed on February 6, 2017 for the financial sponsorship amounted to P1 million, higher by P0.500 million than the amount recommended by the PO.

25.14 Identification of income/benefits derived from the event/project as return of investment of funds from the government was not included in the evaluation of the grant of FA. TPB did not demand from the proponents equitable share in the revenues generated from the funded projects/events.

25.15 Majority of the projects/events derived revenues in the form of attendees' registration fees/entrance fees/booth rental and other income generating activities. All such revenues were for the account of the proponents notwithstanding that they were required to shoulder only 20 percent of the project cost while the 80 per cent thereof were financed from government funds. TPB should have demanded equitable shares therefrom as part of the ROI for the government/TPB and considered/included in the evaluation of the proposals.

25.16 Review of the approved MOA with the proponent of the Intramuros Revival Project that contributed only 9.7 percent of the project cost while TPB and TIEZA financed the P27.918 million project cost it was observed that there was no provision in the MOA on the sharing of revenues derived from the event.

25.17 The final utilization/liquidation report submitted as required in the MOA for the Asia Premium Travel Mart (APTM) which was granted FA of P2.45 million to cover the cost of hotel accommodation of attendees showed that the total amount paid for the hotel expense was P1.523 million only. The event organizer explained that instead of paying the hotels the entire P2.45 million, they forged an ex deal agreement wherein the hotel owners got booths with APTM thus, saved P0.927 million. TPB did not require the refund of the saved amount.

25.18 It was also observed that only 11 out of 29 proponents submitted liquidation reports with supporting receipts equivalent to P12.591 million out of the P54.533 million FA granted. Thus, the utilization of the funds granted were not fully accounted.

25.19 The liquidation reports of FAs ranging from P1.600 million to P12.034 million granted to various proponents were not submitted to TPB. In view of the non-compliance by the proponents with the provision in the MOA. TPB was prevented from conducting post evaluation on the effectiveness of the strategies in promoting tourism and was not able to verify and account the exact disbursements/utilization of the financial assistance which information could have also provided valuable inputs for TPBs post-evaluation of the events.

25.20 Majority of the terminal reports were either prepared by the proponent or the TPB Project Officer. Only two out of the 13 projects reviewed have terminal reports prepared by both parties.

25.21 Review of the liquidations of FAs revealed that only two out of the 13 projects were with terminal reports prepared by both the proponent and TPB PO. Only four proponents reported the number/list of participants/or turnover of the event. Results on the attainment of the objectives of the event/project was not included in the report but proofs of advertisement were attached to the terminal reports. Both the proponent and the TPB project officer should prepare the terminal reports to evaluate the degree of attainment of the objective/s of the projects.

25.22 Financial assistance/sponsorships were released after the implementation of the event/project indicated that the private entities were capable of funding said activities, thus there was no need for TPB to provide financial assistance.

25.23 ***We recommended that Management formulate and establish the guidelines for granting financial assistance to events organizers/proponents and that the evaluation of the proposal include the following:***

a. Defined criteria for evaluation of proposals which should be aligned to TPB's mandate, programs and activities and determination of the reasonable amount to be granted;

b. Evaluation of the capability of the project proponents to undertake the project;

c. Projected Return of Investments (ROI) which should not only be defined by ROI in terms of the mandate of TPB in the promotion of

tourism in the country but also equitable recovery of the monetary investments of government; and

d. Guidelines on the submission of liquidation and terminal project reports.

25.24 Management commented that:

a. the additional P500,000 was due to the request of TPB for additional mileage of product/company logo displayed/printed on delegate's kits –P150,000; One table top for display of promotional materials –P100,000 and brand mention in radio and TV features as major sponsor- P250,000; and

b. there was no agreement that TPB will commission from the fees implemented by the proponent to the participants, buyers or sellers, the sponsorship is solely for the assistance to be granted of said project.

25.25 **Auditor's rejoinder** : The additional mileage only promoted the TPB's as major sponsor and not the Philippine tourists spots/destinations. In our opinion, TPB has to prudently manage government funds and avoid granting financial sponsorship/assistance to proponents which expenses are recoverable from the income of the event/project. Those who failed to liquidate and submit supporting documents for the fund granted should be required to refund. Evaluation should include estimated income to be derived from the project, the equitable shares of both the proponent and the government from such revenues to properly estimate the reasonable amount for the FA.

26. Share of TPB from the ASEAN Tourism Forum (ATF) 2016 event was based only on the unaudited Profit and Loss Statement that was verified by the TTG Asia Media Pte Ltd. (TTG) Finance Manager and approved by the Managing Director, thus, the accuracy and correctness of TPB's share amounting to P20.614 million was uncertain. Moreover, TPB's share amounting to P18.373 million was remitted only last January 2017 and the balance of P2.241 million was not yet remitted as of year-end contrary to the provisions of the agreement.

26.1 On June 17, 2015, TPB entered a joint agreement with TTG Asia Media Pte Ltd. TTG) and ASEAN Tourism Association (ASEANTA) for the holding of the ASEAN Tourism Forum from January 18-25, 2016. The agreement required that each shall handle a specific part of the event as follows:

EVENT	ORGANIZER
Exhibition of travel and tourism products, services and destinations (TRAVEX)	TTG

ASEAN Tourism Conference (ATC) – industry conference addressing the latest issues and challenges facing the tourism industry in ASEAN Countries	ASEANTA
Meetings of the National Tourist Organizations (NTO)	TPB/PDOT

26.2 The primary event, TRAVEX, handled by TTG involved a profit sharing agreement of 50 per cent to TPB, 25 per cent to TTG and 25 per cent to ASEANTA after satisfying 6 per cent share in the gross revenues which shall be for the account of the TTG as management charges covering staff costs, overall event management, accounting services and advertising costs. TTG's expenses for the TRAVEX and its 16 per cent share as management fee shall be accounted by TTG and then dividing the net amount according to their agreement. Other costs for the opening ceremony; return tickets and hotel rooms for hosted buyers and media; city tours and post-ATF familiarization tours; expenses for various official meetings; land transportation, airport transfers as necessary, general security agreement and support services; and street advertisement outside the TRAVEX Area shall be under the ATF 2016 Host Committee, the TPB and absorbed by the Philippine Department of Tourism (PDOT)/TPB. These expenses were not deducted from the gross revenue from the event and were not compensated by the income received from the TRAVEX. The total separate expenditures of TPB, which were reimbursed by DOT amounted to P166.368 million.

26.3 Upon examination of the reports submitted by TTG it was noted that the accompanying Profit and Loss (P&L) statement was not audited and no supporting documents were presented to substantiate the indicated figures therein. This led to a question of whether the amounts reported were accurate and correct.

26.4 Moreover, it was stipulated in the MOA that the shares of revenues shall be remitted by TTG to its partners within three months of the event. Whereas, 60 days upon completion of the event a P&L statement shall be submitted by TTG and upon final review and acceptance by the parties, the net revenue shall be distributed within 30 days. The P&L was prepared on April 12, 2016 and accepted by the parties last August 11, 2016. Thus, the remittance should have been made on September 11, 2016 pursuant to the contract. The total amount of $368,594.07 or P18.373 million was remitted only last January 2017. As of April 2018, the balance of P2.241 was still not receive by TPB.

26.5 ***We recommended that the Management:***

a. Request the COA, Central Office to include in the audit coverage of teams assigned to the audit of Foreign Based Government Agencies (FBGA) the income and expenses for the ATF 2016 handled by TTG in Singapore, to validate the correctness and accuracy of the share of TPB; and

b. Request/Bill the TTG to remit the balance of P2.241 million.

26.6 Management commented that:

a. the additional P500,000 was due to the request of TPB for additional mileage of product/company logo displayed/printed on delegate's kits –P150,000; One table top for display of promotional materials –P100,000 and brand mention in radio and TV features as major sponsor- P250,000; and

b. there was no agreement that TPB will commission from the fees implemented by the proponent to the participants, buyers or sellers, the sponsorship is solely for the assistance to be granted of said project.

26.7 **Team's rejoinder** : The additional mileage only promoted the TPB's as major sponsor and not the Philippine tourists spots/destinations. In our opinion, TPB has to prudently manage government funds and avoid granting financial sponsorship/assistance to proponents which expenses are recoverable from the income of the event/project. Those who failed to liquidate and submit supporting documents for the fund granted should be required to refund. Evaluation should include estimated income to be derived from the project, the equitable shares of both the proponent and the government from such revenues to properly estimate the reasonable amount for the FA.

27. TPB has no written guidelines or policy on the selection process of personnel to handle foreign based tasks/duties, hence, exposed TPB to the risk of incurrence of unnecessary travel expenses, preferential biases and conflict of interests such that non-marketing and promotions personnel were deployed to undertake marketing assignments abroad.

27.1 Analysis of the Travel Expense-Foreign disclosed that there were TPB non-marketing Officers and Employees sent abroad to perform marketing and promotions functions. The employees assigned were from the Office of the Chief Operating Officer (COO), Legal Department, Personnel and Human Resource Development, MIS Department and Procurement and General Services Division.

27.2 We noted the attendance of TPB in the Malaysian International Travel Mart (MITM) 2017 held in Kuala Lumpur on August 11-13, 2017. TPB did not send marketing personnel to the event. Instead, the Philippine participation was fully handled by the Procurement and General Services Division (PGSD) personnel. The PGSD Buyer together with the Administrative Services Officer III were assigned as head of the Philippine delegation for the MITM to oversee the logistical requirements of the Philippine delegation. The MITM 2017 is a travel fair participated by the Philippines.

27.3 On the other hand, we also noted that the COO's Private Secretary and Executive Assistant, frequently accompanied the COO in his foreign based engagements. It was deemed costly and unnecessary to include the Private Secretary and Executive Assistant in almost every foreign travel of the COO.

27.4 It was also observed that some personnel were regularly sent abroad in previous years to be part of the Philippine delegation performing marketing and promotions functions. Based on the TPB functions, it is the Marketing and Promotions Department comprised of the International Promotions Department, Domestic

Promotions Department, Meetings Incentives Conference Exhibitions (MICE) Department and Marketing Communications Department, which have the duties and responsibilities to market and promote the Philippines internationally as a major destination for MICE that targets high yield tourist such as convention delegates, businessmen and corporate clients, generating increased revenues, business/investment opportunities as well as creating goodwill and positive publicity worldwide for the Philippines.

27.5 The following non-marketing personnel were authorized to perform duties abroad on marketing and promotions functions, such as the COO's Private Secretary; Executive Assistant IV, Office of the COO; Attorney VI, Legal; OIC, Personnel and Human Resource Development (PHRDD); Human Resource Management Assistant, PHRDD; Information Systems Analyst III, MIS Department; Administrative Services Officer IV, Procurement and General Services Division (PGSD); Buyer V; and Administrative Services Officer III, PGSD.

27.6 TPB did not formulate written policy and guidelines to serve as criteria in selecting the officers and/or personnel to undertake local and foreign assignment as well as the tasks assigned to the members of the team undertaking such assignments, frequency of allowed travels and the target outputs per tasks. These personnel were authorized to travel and participate in the foreign promotions based on the office order issued.

27.7 Moreover, the post evaluation reports were prepared by the Project Officer. There were no individual accomplishment reports/narrative reports which can be a basis for evaluation and monitoring performances and evaluation of the trips' relevance to TPB's mandate and learnings therefrom to improve TPBs performance.

27.8 ***We recommended that TPB Management formulate guidelines and policies:***

a. Provide basis of selection/inclusion of non-marketing employees in the foreign marketing functions;

b. Formulate the policy or guidelines relative to the selection of officers and employees to undertake foreign marketing and promotions, tasks to be assigned and reporting requirements considering the internal controls and cost effectiveness; and

c. Require submission of individual narrative report for monitoring of performances.

28. Travel expenses totalling P66,620, representing air fare and insurance of officers who were not able to travel abroad were not refunded.

28.1 The COO, Private Secretary (PS) and Executive Assistant (EA) did not attend the Philippine business mission scheduled in Japan despite payment of the airfare amounting to P66,620.00 relative to the Philippine Business Mission to Japan (Osaka, Nagoya, and Tokyo Japan) slated for 25-30 June 2017. The expenses totalling P66,620, were broken down as follows: Air tickets and insurance of the

COO, PS and EA amounting to P65,460 and insurance of the COO amounting to P1,160.

28.2 ***We recommended and Management agreed to require the said officers to refund the payment for the airfare amounting to P66,620.***

29. TPB incurred bank charges amounting to P34,839 due to: a) issuance of check without sufficient fund and b) return of deposits due to erroneous beneficiary's/ payee's account number. There was no monitoring of daily available balance of cash in bank, checks issued and advice to debit account (ADA) which resulted to the issuance of checks without sufficient fund.

29.1 On December 4, 2017, three checks were issued totaling P1.727 million. However, the available balance of cash in bank of TPB was P78,990.10 only. Thus, LBP levied TPB bank charges of P32,400 due to issuance of checks drawn against insufficient funds (DAIF) .

29.2 There was no coordination between the Finance and Accounting Divisions and no monitoring of the daily available balance of cash in bank, checks issued and advice to debit account (ADA), which resulted to the issuance of checks without sufficient fund. The Cashier Division (CD) prepared and issued the checks. However, she was not informed of any foreign and domestic remittances/payments and purchase of travel funds made thru the bank from advice to debit account (ADA). On the other hand, the Accounting Division (AD) processed payments for issuance of checks and charges thru bank from ADA. However, the AD had no knowledge of the daily collections and deposits made by the cashier because the CD submits the report of check issued and report of collections and deposits to AD on a monthly basis.

29.3 Moreover, bank charges amounting to P2,439 was charged due to return of remittances due erroneous beneficiary's/payee's account number.

29.4 ***We recommended that Management:***

a. Require the CD to submit daily reports of the collections and deposits and issuance of checks to AD so that the latter will be updated on the daily actual balance of TPB's current account or the AD furnish the CD the daily ADA issued. The daily checks and ADA issued requires to be deducted from the daily cash in bank balance to avoid issuance of checks against insufficient fund;

b. Ensure that the account number of the payees/beneficiaries are correct in the ADA to avoid penalty; and

c. Require the officers responsible for the issuance of bouncing/DAIF check and erroneous account number of payees to pay for the bank charges, such penalty is not to be shouldered by TPB.

29.5 Management commented that AD will comply the recommendations and will request for waiving of penalty fee. Otherwise, the identified responsible officers shall share pro-rata the payment of the penalty fee.

30. The regularity and validity of payments made to Denstu Philippines, Inc. (DPI) in relation to its advertising services contract to amounting to P873.269 million could not be ascertained due to the following:

a. Disbursement vouchers were not supported with complete documentation as required under the Section II No. 3 of the contract;

b. Billing invoices from foreign suppliers or media presenters were not attached;

c. TPB approved and implemented media plans and utilized the unexpended amount of the contract in the total amount of P13.221 million despite the lapse of the contract period;

d. The 20 per cent initial payments amounting to P49.213 million was not deducted from the progress billings, thus resulting in overpayment of media placements of the same amount;

e. DPI billed TPB for television placements spots aired in Eurosport Channels from June-November 2014 at a fixed rated of P2.771 million per month instead of actual billing of the advertiser based on the actual spots aired.

f. A difference of P3.670 million was noted in the amount of advertisements posted on May 5, 2016 and March 3, 2016 under DPI billing Nos. 512 and 305 amounting to P4.069 million and P0.998 million respectively, even though the same advertisement, same magazine, same month of issue with the same advertiser was posted.

30.1 Section II Item No. 3, of the original contract entered into by and between the DOT/TPB and DPI provides that billing statements shall be accompanied by the following deliverables and documentary requirements:

30.1.1 Monthly implementation and status report and the accompanying proof of advertisements:

a. For TV ads: Gross Rating Points (GRPs), Total Reach, Certificate of Performance (COP)

b. For Print ads: Audited Circulation, total reach, Print Tear sheets, 5 copies of each publications

c. For Out of Home (OOH) ads: Audited traffic, eyeballs, Monitoring report and OOH Pictures (Day & Night)

d. For Online/Digital ads: Campaign Metrics (Digital) - including Screenshots as proof of performance

30.2 In the review of the disbursement voucher payable to DPI revealed that monthly implementation status report and proof of advertisements were not attached contrary to the above-cited provision of the contract.

30.3 Analysis showed that the proof of advertisements attached to some vouchers could not be considered as valid and sufficient for the following reasons:

- These were merely scanned copies or print out of pages of the actual publication. It also lacks the essential details such as name of the publication and date of actual release to verify the validity and authenticity of the advertisements.

- There were no live ads screenshots proving the link and no certification that the Ads were run during the month. The Confirmation Letter that the Ads Order signed by Trip Advisor was not enough to support the actual performance of the ads.

- Supporting documents for claims for digital placements were the same for various payments and proof of advertisements did not present the period of actual advertising.

30.4 The actual placements of the advertisements were questionable since these could not be validated due to the absence of required documents to show proof that the advertisements were actually placed. Moreover, there was no proof of monitoring of TPB of the Digital/TVs Placements to support TPB's Certification.

30.5 Also, no billing invoices from foreign suppliers or media presenters were attached. It is imperative that billing invoices provided by DPI to TPB were accompanied by billing invoices from media presenters or proof of payment to serve as proof of the actual cost of advertisements.

30.6 Considering that DPI is already being paid an agency fee of two percent in consideration for its services, TPB should pay only the actual cost of expenditures as billed by the media presenters/foreign suppliers without any additional mark up. This, however, could not be verified due to lack of the billing invoices from the foreign suppliers or media presenters.

30.7 The possibility of overbilling by DPI could not be ignored due to the absence of proof of payment by DPI for the actual cost of advertisements billed by the media presenters.

30.8 Further, examination of contracts, DVs and supporting documents revealed that TPB approved and implemented media plans and utilized the unexpended amount of the contract in the total amount of P13.221 million despite the lapsed of the contract period. Although, these were not originally included in the proposed media plans approved prior to the consummation of the contracts. These were charged to tactical budgets with no proper approval by the appropriate official. These media plans were approved by the TPB COO instead of the Secretary of DOT.

30.9 In view of the foregoing, media plans not approved by the DOT Secretary, implemented and paid after the contract period are irregular transactions and are not allowable in audit.

30.10 TPB paid DPI an advance payment of 20 per cent of the total amount of the media plan amounting to P49.213 million in accordance with Section 2.2 of the original contract.

30.11 Review of DVs and billing invoices disclosed that out of the total initial billings paid to DPI for the renewal and extension contract amounting to P295.025 million, only P245.812 million or 83.32 per cent were deducted from the progress payments, thus, a balance of P49.213 million or 16.68 per cent of the total amount were not deducted from the subsequent progress billings contrary to Annex “D” Section 4.1 and 4.2 of Implementing Rules and Regulations of RA 9184.

30.12 DPI billed TPB for television placements spots aired in Eurosport Channels from June-November 2014 at a fixed rated of P2.771 million per month instead of actual billing of the advertiser based on the actual spots aired.

30.13 Advertising Confirmation Order of Denstu Philippines, Inc. (DPI) and Eurosport Asia-Pacific Limited (EAPL) on June 6, 2014 for TV campaign and Digital campaign from June to November 2014 in the amount of $514,396 stated that EAPL will send an invoice to DPI on December 1, 2014 payable within 30 days upon receipt. However, the said invoice was not attached/furnished by DPI to TPB for billing the said advertisements.

30.14 Review of the payments for TV placements revealed that Denstu billed TPB for the TV placements: Eurosports - Germany, UK and Pan Europe at a fixed rate of P2.771 million per month from June to November 2014 instead of an amount based on the actual advertisement or tv spots aired. Based on the transmission certificate issued by EAPL, the actual television spots aired ranged from 14 to 49 spots per month from June to November 2014.

30.15 A difference of P3,670,217 was noted in the amount of advertisements posted on May 5, 2016 and March 3, 2016 under DPI billing Nos. 512 and 305 amounting to P4.0668 million and P.998 million respectively, even though the same advertisement, same magazine, same month of issue with the same advertiser was posted.

Check		Denstu Billing Inv. (BI)				
Number	Date	Date	No.	Newspaper/Magazine	Date	Amount
361022	5/31/16	5/5/16	0000512	Conde Nast Traveller - 2 page Full Colour	March 2016	4,668,376.80
360769	5/3/16	3/10/16	0000305	Conde Nast Traveller	March 2016	998,160.07
						3,670,216.73

30.16 ***We recommended that Management:***

a. ***Submit valid and complete proof of advertisements as specified in Section II Item No. 3, of the original contract to support disbursements made to DPI amounting to P873.269 million;***

b. ***Require DPI to submit foreign suppliers monthly implementation and status report of foreign suppliers/media presenters as well as their billing invoices to support actual cost of media plan billed to TPB;***

c. ***Submit approval from proper DOT Secretary and DBM for the use of the CY 2015 budget for media plans executed/spent in CY 2016;***

d. ***Comply strictly with the provisions of Annex D Section 4.1 and 4.2 of the Implementing Rules and Regulations of RA 9184 and collect the remaining balance of initial payments of P49.213 million from DPI;***

e. ***Require DPI to furnish TPB the actual billing of the advertiser to determine the actual payments made by DPI to EAPL, to find out any excess payments which requires to be refunded by DPI; and***

f. Require the DPI to submit the advertiser's billing and justification on the discrepancy of P3.670 million for the same advertisement, same magazine, same month issue and with the same advertiser.

30.17 According to the Officer-in-Charge, they are still collating the documents pertaining to DPI contracts and requested the DPI to submit billings of the advertisers and other documents.

D. Gender and Development Audit

31. The 2017 TPB's GAD Plan and budget was submitted to PCW thru electronic mail, however, it was not received by the latter, thus there was no endorsement to DBM. Only P121,548 was spent for GAD activities, TPB failed to mainstream the GAD Plans and programs in their regular activities contrary to RA 9710 and paragraph 8.2 and 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01.

31.1 PCW, NEDA and DBM Joint Circular No. 2012-01 re: Guidelines for the preparation of annual GAD Plans and Budgets and Accomplishment Reports to implement the Magna Carta of Women provides as follows:

"Section 8.2

"The GAD Focal Point System (GFPS) of the agency shall review all submitted GAD plans and Budgets (GPBs) as needed, provide comments or recommendations for revision . . . . The GFPS shall then submit the final GPBs

and the corresponding GAD Accomplishments Reports to PCW for review and endorsement to DBM."

31.2 The 2017 TPB GPBs was submitted to PCW for review thru electronic mail to PCW. However, it was not received by the latter. Thus, there was no endorsement made to DBM by PCW contrary to the abovementioned provision.

31.3 The GAD plan did not include regular activities which may be embedded in the GAD Plans and Programs to meet the five per cent requirement. TPB spent P127,548 or 1.43 per cent out of the total budgeted P8.931 million.

31.4 **We recommended that Management strictly comply with the provisions of PCW, NEDA and DBM Joint Circular No. 2012-01.**

E. Compliance with Tax Laws

32. TPB has been consistently withholding and remitting taxes on salaries and wages and other benefits from its officers and employees as well as taxes on goods and services to the Bureau of Internal Revenue (BIR). As December 31, 2017, the total payables to BIR amounted to P4.866 million, TPB paid a total of P2.078 in January 2018. However, it was noted as discussed in Observation No. 13.5, TPB failed to deduct the corresponding taxes on the cash payments made to entertainers.

F. Government Service Insurance System, Philhealth and Pag-ibig Contributions

33. TPB is compliant with the GSIS guidelines on collections and remittances of GSIS contributions pursuant to R.A. 8291, otherwise known as the GSIS Act of 1997. As of December 31, 2017, the total payable to GSIS amounted to P0.978 million, which was paid in January 2018. While.as of December 31, 2017, the payable to Pag-ibig and Philhealth amounted to P0.545 million and P67,870, respectively. TPB paid in January 2018, the P475,164 to Pag-big and P16,245 to Philhealth.

G. Summary of Unsettled Suspensions, Charges and Disallowances

34. As of December 31, 2017, disallowances amounted to P 350,858.75. Detail is shown below:

Date	No.	Particulars	Amount	Status
April 11, 2016	ND No. 2016-01	Disallowed in audit due to overpayment of terminal pay questionable number of years in service	350,858.75	Pending request for lifting of disallowance

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 31 prior year's recommendations, 11 were fully implemented, 12 were partially implemented and eight were not implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2016, Observation No. 1, page 20	1. The validity and accuracy of Accounts Payable (AP) year-end account balance of P963.533 million was doubtful due to the inclusion a) CY 2015 erroneous accrual of expenses totalling P273.532 million; b) dormant accounts for two years or more amounting to P243.114 million; and c) the negative balances of P77.489 million.	We recommended that Management submit pertinent documents supporting the payables to the audit team for review and require the AD to:	
		a. Verify first the supporting documents before recording the payables, determine the nature of the accounts, identify the causes of the abnormal balance of the account and implement the necessary adjusting journal entries; and	Not Implemented Reiterated In Part II - Comments and Observations No. 2
		b. Revert accounts payable outstanding for two years or more to the CROU as prescribed under Executive Order No. 108 dated June 10, 1999 and implemented by DBM–COA Joint Circular No. 99-6 dated November 13, 1999, if there is no valid claim.	Not Implemented Reiterated In Part II - Comments and Observations No. 2
AAR 2016, Observation No. 2, page 22	2. Cash advances granted to DOT Marketing Representatives/Tourism Attaché amounting to P185.997 million remained unliquidated even if the purpose for	We recommended that Management:	
		a. Comply with the provisions of Section 4.6 of COA Circular No. 94-013 dated	Not Implemented Reiterated In Part II - Comments and

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	which they were granted have been completed contrary to the provisions of Section 4.6 of COA Circular No. 94-013 dated December 13, 1994, thus, resulting in the overstatement of the receivable and retained earnings and understatement of expenses and other affected accounts by the said amount and may also result in the misuse of funds.	December 13, 1994 on the rules and regulations on the grant, utilization, and liquidation of Fund Transfers;	Observations No. 1
		b. Demand from the MR/TAs liquidation of overdue accounts. Require the Accountable Officers to prepare the Report of Checks Issued (RCI) and the Report of Disbursements (RD) and submit the reports together with the supporting vouchers and documents to the Accountant within five days after the end of each month;	Partially Implemented Reiterated In Part II - Comments and Observations No. 1
		c. Require the Accountant to verify the said reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the original vouchers and supporting documents duly approved by the Head of the Agency to COA, within 10 days after receipt of the reports from the Accountable Officers; and	Partially Implemented Reiterated In Part II - Comments and Observations No. 1
		d. Require the MR/TAs to return any unused balance of the trust funds upon	Partially Implemented Reiterated In Part II - Comments and Observations No. 1

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
			completion of the projects. In case Management intends to utilize the unused balance of the trust funds for other related projects, require the approval from proper authorities.	
AAR 2016, Observation No. 3, page 24	3.	Due from NGA account balance of P313.462 million included abnormal/negative balances of P77.432 million and the account was overstated by P16.629 million due to the booking of fund transfers which were not released.	We recommended that the AD conduct reconciliation of Fund Transfers with the DOT MR/TAs and effect necessary correcting entries	Partially Implemented
AAR 2016, Observation No. 4, page 24	4.	The unutilized funds totalling P94.374 million, were not returned to the Source Agencies (SA) despite completion of the projects from 2006-2014, contrary to the provision of Section 4.9 of COA Circular No. 94-013 dated December 13, 1994, thus, resulting in weak monitoring of expenses which may result in the misuse of funds. Disbursements charged against the fund transfers from NGAs and GOCCs in the net amount of P15.033 million were taken up as TPB operating expenses, instead of debits to Due to NGAs	We recommended that Management comply strictly with pertinent provisions of COA Circular No. 94-013 on all inter-agency fund transfers and that: a. TPB return to the Source Agency any unused balance of the trust funds upon completion of the projects, unless Management intends to utilize the unused balance of the trust funds for other related projects, approval from the Source Agency must be secured; and b. AD implement adjusting entries.	 Partially Implemented Fully

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		and GOCCs accounts, thus, resulting in the overstatement of expenses and Due to NGA and GOCCs accounts and understatement of income account by the same amount.		Implemented
AAR 2016, Observation No. 5, page 26	5.	The accuracy and validity of the account balance of Advances to Officers and Employees amounting to P3.237 million as of December 31, 2016 could not be ascertained due to the discrepancies of P1.038 million between the balance per general ledger (GL) and subsidiary ledgers (SLs).	We recommended that the Accounting Division:	
			a. Reconcile the general ledger balance with the subsidiary ledgers, determine the causes of discrepancies and effect the necessary adjusting entries;	Not Implemented Reiterated In Part II - Comments and Observations No. 6
			b. Immediately review and take up the expenses/liquidations on Cash Advances simultaneously with the preparation of the Report on Unliquidated Cash Advances;	Partially Implemented Reiterated In Part II - Comments and Observations No. 6
			c. Strictly comply with pertinent provisions of COA Circular No. 97-002 and Section 89 of PD 1445. Require all accountable officers to immediately liquidate their cash advances after 60 days from the date of grant and/or upon completion of the purpose for which the cash advances were granted and/or before	Partially Implemented Reiterated In Part II - Comments and Observations No. 14

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		year end, to avoid overstatement of asset and understatement of expenses. Take appropriate action to require accountable officers to liquidate cash advances which are due and demandable, otherwise penalty provisions may be imposed;	
		d. Implement correction on the Aging of Unliquidated Cash Advances by aging the CA from the date of completion of the project but not more than 60 days from the grant thereof;	Fully Implemented
		e. Review the accounts with abnormal/ negative balances, analyze entries made and prepare the necessary adjusting entries; and	Fully Implemented
		f. Ensure that all cash advances and liquidations are properly recorded. Record the grant of cash advance as debit to Cash Advance and not as accrual of Expenses. Take up the expenses only upon liquidation of the cash advances.	Fully Implemented

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2016, Observation No. 6, page 28	6.	Foreign and domestic remittances/payments and purchase of travel funds through bank account debit advice (ADA) totaling P546.699 million from January to November 2016 were not supported by valid documents, thus, the accuracy and validity of the expenses/payments were doubtful.	We recommended that the Accounting division submit the supporting documents for all payments made thru ADA for our review and validation.	Not Implemented Reiterated In Part II - Comments and Observations No. 1
AAR 2016, Observation No. 7, page 28	7.	The balance of Plant, Property and Equipment (PPE) account could not be ascertained/validated due to the discrepancies between the accounting record and Report on the Physical Count of PPE (RPCPPE) of P15.304 million and P25.958 million as of December 31, 2016 and 2015 respectively.	We recommended that:	
			a. AD and PGSD reconcile their records with the actual physical inventory, account for the discrepancies and effect the necessary adjustments;	Partially Implemented
			b. AD	
			• derecognize the vehicles which were not yet procured /delivered;	Fully Implemented
			• record all the equipment and furniture derived from trust fund; and	Fully Implemented
			• correct the entry in recording the analog repeater as PPE.	Fully Implemented
			c. PGSD	
			• request from AD and record the total cost of the renovation of TPB's office, which was capitalized as PPE by the AD; and	Fully Implemented

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		• include the cost of software in their PPE's record and issue PAR.	Fully Implemented
AAR 2016, Observation No. 8, page 29	8. Promotional materials and office supplies were recorded using the expense method instead of asset method and the stock cards were not properly maintained as required under Section 9 of the Government Accounting Manual (GAM), thus, balances of inventory-promotional materials and office supplies of P6.434 million could not be accounted for and may result in unauthorized issuances of the supplies.	We recommended that Management:	
		a. Require the AD and the Procurement and General Service Division to reconcile their records and account for the discrepancy;	Fully Implemented
		b. Require the AD to record office supplies and promotional materials using the perpetual inventory system in compliance of Section 9 of GAM Volume II and install strong internal control measures to avoid unauthorized issuances thereof; and	Not Implemented
		c. Require the custodian to maintain stock cards for each item instead of per delivery of items and record every procurement and issuances and account for the outstanding balances in the stock cards to determine the exact quantity of items on hand at any given time.	Fully Implemented

REFERENCE		OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2016, Observation No. 9, page 31	9.	The 2016 budgets prepared by TPB were not prudently set as shown in the significant variance of P933.447 million between the budget of P1.862 billion against actual expenses of P928.270 million.	We recommended that management prepare a more prudent/ reasonable budget for projects/activities and operations to protect the funds of the Agency. Base budget estimates on historical costs or previous years' actual expenses.	Partially Implemented
AAR 2016, Observation No. 10, page 31	10.	TPB did not maintain separate bank account for the Special Contingency Fund (SCF) in the amount of P119.684 million which was booked under Other Assets-Restricted funds contrary to Section 56 of the Tourism Act, thus, the funds may be used for other purpose.	We recommended that TPB deposit the SCF separately from the regular operating bank current account and invest the said fund in high yield investment account.	Fully Implemented
AAR 2016, Observation No. 11, page 31	11.	Cash advances were granted to officials who were not bonded or whose bond was insufficient to cover the cash advance, contrary to Section 4.1 of the Treasury Circular No. 02-009 dated August 6, 2009, thus, the funds were not duly protected.	We recommended that Management secure fidelity bonds on all accountable officers in accordance with the regulations issued by the Bureau of Treasury.	Partially Implemented
AAR 2016, Observation No. 12, page 32	12.	Excessive cash advances were granted to officers and employees, thus, resulting in refunds ranging from 44 per cent to 84 per cent of the cash advances, while unutilized cash advances were not refunded for more than	We recommended that Management: a. Review and analyze procedures in estimating expenses for Cash Advance to avoid granting excessive cash advances and protect the Agency from risk of misuse of funds; and	Partially Implemented

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	47 to 146 days from the prescribed period within which the CA should be liquidated.	b. Require concerned officers and employees to liquidate cash advances in accordance with COA Cir. 2007-002.	Not Implemented Reiterated In Part II - Comments and Observations No. 15
AAR 2016, Observation No. 13, page 33	13. The overstocking of promotional materials costing more than P3.716 million in the warehouse from five months to more than two years, contrary to Section 24 of the general Appropriations Act, resulted in unnecessary and excessive expenses.	We recommended that management comply with Section 24 of the GAA and limit their procurement for only three months requirement to avoid overstocking that may result in losses to TPB due to obsolete and excessive items.	Not Implemented Reiterated In Part II - Comments and Observations No. 21