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

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

July 30, 2021

Atty. MARIA ANTHONETTE VELASCO-ALLONES
Chief Operating Officer (COO)
Tourism Promotions Board
Legaspi Towers 300
Roxas Boulevard, Manila

Dear COO Velasco-Allones:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Tourism Promotions Board (TPB)**, for the years ended December 31, 2020 and 2019.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the TPB for the years ended December 31, 2020 and 2019 in view of the following:

1. The faithful representation in the financial statements of the balance of the Receivables account with carrying amount of P413.143 million as of December 31, 2020 was not established due to: (a) variances of P30.471 million and P27.008 million between the balances of the General Ledger (GL) and Subsidiary Ledgers (SLs) and the Status Report of Fund Transfers (SRFT) and SLs, respectively, of Due from National Government Agencies (NGAs) account which remained unreconciled at year end; and (b) discrepancies of P86.834 million between the balances per SLs and as confirmed by Implementing Agencies (IAs), contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

2. Fund transfers totaling P208.664 million remained unliquidated despite the lapse of the period of implementation of the projects indicated in the Memoranda of Agreement (MOAs), resulting in unrecognized expenses in undetermined

amount for CY 2020 and prior years, thereby overstating the Receivables and Accumulated Surplus/(Deficit) accounts and understating the expense account for the current year.

3. The faithful representation in the financial statements of the balance of Inventories account in the amount of P71.320 million was not established due to: (a) unreconciled variance of P15.680 million between the Annual Inventory of Promotional Materials and Giveaways of P52.186 million and the GL of the Other Supplies and Materials Inventory account of P67.866 million and no alternative audit procedure could be made to verify the causes of the variance in the absence of Supplies Ledger Cards (SLCs) and Stock Cards (SCs); and (b) non-submission of supporting documents on the two adjustments totaling P24.627 million, contrary to Paragraph 27 of IPSAS 1, and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

4. The faithful representation in the financial statements of the balances of the Financial Liabilities and Other Payables accounts in the amounts of P242.065 million and P6.679 million, respectively, as of December 31, 2020 could not be established due to: (a) absence of delivery receipts, certificate of acceptance, and other related documents to ascertain that the goods/services were already delivered/rendered/completed and accepted to support the booking of the Accounts Payable (AP) of P198.289 million; (b) discrepancies totaling P1.746 million between the balances per GL and as confirmed by suppliers which remained unreconciled at year-end; and (c) unsubstantiated bank reconciling items totaling P4.997 million recorded under Other Payables account, contrary to Paragraph 27 of IPSAS 1 and Item 3.26 of the Conceptual Framework on the General Purpose Financial Reporting by Public Sector Entities.

5. Interest income from trust accounts invested with Land Bank of the Philippines (LBP) in the amount of P3.844 million was not recognized in the books at year end resulting in the understatement of the Investments and Interest Income accounts.

For the afore-cited observations, which caused the issuance of a qualified opinion, we recommended that Management:

1.1. Instruct the Accounting Division to:

a. Reconcile the variances among the GL, SLs, SRFT and the record of the IAs and examine the liquidations reports from Philippine Department of Tourism (PDOT) Offices/Tourism Attachés (TAs)/Marketing Representatives (MRs) and, if found valid, effect the necessary adjustments in the affected books, schedules and reports; and

b. Record the financial transactions immediately to minimize if not totally eliminate the variances.

2.1. Direct the Finance Department to:

a. Demand from the IAs the regular submission of the liquidation reports, consisting of Reports of Checks Issued and Report of Disbursements, etc. of the fund transfers to timely record the expenses incurred and fairly present the Due from NGAs, Local Government Units (LGUs) and Government Owned and Controlled Corporations (GOCCs) accounts in the financial statements; and

b. Henceforth, adhere to the provisions of the Mother MOA for future fund transfers to DOT and the guidelines on fund transfers as provided in COA Circular No. 94-013 dated December 13, 1994.

3.1. Direct the Accounting Division and the General Services Division (GSD) to reconcile the discrepancies of P15.680 million between the result of Physical Count and the GL balance of Other Supplies and Materials Inventory account.

3.2. Direct the Accounting Division to:

a. Maintain SLC for each kind or type inventory and regularly reconcile the same with the SC maintained by the GSD.

b. Submit the supporting documents of the adjustments amounting to P24.627 million.

3.3. Direct the GSD to maintain SCs and reconcile the same with the records of the Accounting Division.

4.1. Direct the Accounting Division to:

a. Ensure that the goods/services/projects have been delivered/rendered/completed and accepted before recording the same under AP account and make necessary adjustments in the books for the booked up AP in the amount of P198.289 million;

b. Reconcile the variance totaling P1.746 million between the amount confirmed by suppliers/creditors and Accounting records; and

c. Make representation with the concerned depository bank for the details of the bank credit memos and make the necessary adjusting entries to correct the affected accounts.

4.2. Direct the Budget and Accounting Divisions to regularly reconcile their records and ensure that only those items that meet the definition of AP or Due and Demandable Obligations are included in Budget and Financial Accountability Report (BFAR) Form No. 3 and recorded in the books.

5.1. We recommended and Management agreed to direct the Accounting Division to recognize in the books the investment earnings in CY 2020 in the amount of P3.844 million and, henceforth, regularly monitor the movements of the Tourism Promotions Trust maintained with the LBP and recognize the interest income therefrom.

The other significant audit observations and recommendations that need immediate action are as follows:

6. Funds received from various Source Agencies (SAs) totaling P216.724 million remained outstanding/unliquidated for more than one year, contrary to Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013 dated December 13, 1994.

6.1. We recommended and Management agreed to direct the Accounting Division to locate all the MOAs, RCIs and RDs to facilitate the liquidation or return of the excess funds to the concerned SAs.

7. There was overstocking of promotional materials totaling P52.186 million in CY 2020, an increase of P15.399 million or 29.51 per cent from CY 2019, as these inventories could not be disposed of and it could not be justified how these materials would be distributed within the three-month period, contrary to Section 25, General Provisions of the Fiscal Year (FY) 2020 General Appropriations Act (GAA) and COA Circular No. 85-55-A, as updated in COA Circular No. 2012-003, and exposes the items to deterioration, damage and obsolescence.

7.1. We recommended and Management agreed to:

a. Refrain from procuring promotional materials and giveaways until the undistributed/unutilized items have been distributed to intended recipients;

b. Exercise prudence in the procurement of promotional materials and giveaways to avoid overstocking and wastage of government funds; and

c. Henceforth, comply strictly with Section 25 of the General Provisions of the GAA, COA Circular Nos. 88-55-A and 2012-003, to avoid disallowance in audit.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 12, 2021 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

We acknowledge the support and cooperation extended to the Audit Team by the TPB Management, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

TERESITA A. PAJARA
Director III
Officer-in-Charge

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 – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
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CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

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

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c. Henceforth, comply strictly with Section 25 of the General Provisions of the GAA, COA Circular Nos. 88-55-A and 2012-003, to avoid disallowance in audit.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 12, 2021 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we request the Chief Operating Officer of TPB to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

We acknowledge the support and cooperation extended to the Audit Team by the TPB Management, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

TERESITA A. PAJARA
Director III
Officer-in-Charge

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 – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library
The COA Central Library

EXECUTIVE SUMMARY

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, otherwise known as the Tourism Act of 2009.

The Implementing Rules and Regulations (IRR) for this Act was 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 based on 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 or 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, 2020, TPB had total personnel complement of 167 composed of 108 regular employees and 59 job order personnel. It is governed by a Tourism Board composed of a Chairman, Vice Chairman, and ten members. Its management is headed by a Chief Operating Officer.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2020	2019 (As Restated)	Increase (Decrease)
Assets	2,988,581,575	2,205,877,799	782,703,776
Liabilities	1,394,625,944	837,939,070	556,686,874
Net assets/equity	**1,593,955,631**	**1,367,938,729**	**226,016,902**

II. Comparative Financial Performance

	2020	2019 (As Restated)	Increase (Decrease)
Revenue	3,258,322	31,598,391	(28,340,069)
Current operating expenses	628,776,851	1,453,003,479	(824,226,628)
Surplus/(deficit) from current operations	(625,518,529)	(1,421,405,088)	795,886,559
Other non-operating income	5,703	2,202	3,501
Gains/(losses)	(4,065,011)	(1,880,418)	(2,184,801)
Assistance and subsidy	1,245,498,886	1,819,234,541	(573,735,655)
Net Surplus for the period	**615,921,049**	**395,951,237**	**219,969,812**

III. Comparison of 2020 Budget and Actual Amounts

	Approved COB	Actual	Difference Final budget vs Actual
Receipts	1,182,723,000	1,248,762,911	(66,039,911)
Payments:			
Personnel services	117,559,435	105,604,143	11,955,292
Maintenance and other operating expenses	1,028,164,566	627,691,912	400,472,654
Capital expenditures	15,677,000	329,988	15,347,012
Net Receipts/(Payments)	**21,321,999**	**515,136,868**	**(493,814,869)**

SCOPE OF AUDIT

Our audit covered the examination, on a test basis of transactions and accounts of TPB for Calendar Year (CY) 2020 to enable us to express an opinion on the financial statements for the years ended December 31, 2020 and 2019 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). It was also conducted to determine the Agency's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the TPB in view of the following:

1. The faithful representation in the financial statements of the balance of the Receivables account with carrying amount of P413.143 million as of December 31, 2020 was not established due to: (a) variances of P30.471 million and P27.008 million between the balances of the General Ledger (GL) and Subsidiary Ledgers (SLs) and the Status Report of Fund Transfers (SRFT) and SLs, respectively, of Due from National Government Agencies (NGAs) account which remained unreconciled at year end; and (b) discrepancies of P86.834 million between the balances per SLs and as confirmed by Implementing Agencies (IAs), contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

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SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The other significant audit observations and recommendations that need immediate action are as follows:

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c. Henceforth, comply strictly with Section 25 of the General Provisions of the GAA, COA Circular Nos. 88-55-A and 2012-003, to avoid disallowance in audit.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, CHARGES AND DISALLOWANCES

As of December 31, 2020, there were no unsettled audit charges. The details and status of the unsettled suspension and disallowance at year-end in the amount of 11.809 million and P1.641 billion, respectively is presented in Table 9, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 69 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 53 were fully implemented, 15 were partially implemented and one (1) were not implemented. Details are presented in Part III of this 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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Tourism Promotions Board (TPB)**, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the TPB as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified of Opinion

The faithful representation in the financial statements of the balance of the Receivables account with carrying amount of P413.143 million as of December 31, 2020 was not established due to: (a) variances of P30.471 million and P27.008 million between the balances of the General Ledger (GL) and Subsidiary Ledgers (SLs) and the Status Report of Fund Transfers and SLs, respectively, of Due from National Government Agencies account which remained unreconciled at year end; and (b) discrepancies of P86.834 million between the balances per SLs and as confirmed by Implementing Agencies, contrary to Paragraph 27 of IPSAS 1 and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Fund transfers totaling P208.664 million remained unliquidated despite the lapse of the period of implementation of the projects indicated in the Memoranda of Agreement, resulting in unrecognized expenses in undetermined amount for Calendar Year (CY) 2020 and prior years, thereby overstating the Receivables and Accumulated Surplus/(Deficit) accounts and understating the expense account for the current year.

Likewise, the faithful representation in the financial statements of the balance of Inventories account in the amount of P71.320 million was not established due to: (a) unreconciled variance of P15.680 million between the Annual Inventory of Promotional Materials and Giveaways of P52.186 million and the GL of the Other Supplies and Materials Inventory account of P67.866 million and no alternative audit procedure could be made to verify the causes of the variance in the absence of Supplies Ledger Cards and Stock Cards; and (b) non-submission of supporting documents on the two adjustments totaling P24.627 million, contrary to Paragraph 27 of IPSAS 1, and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Moreover, the faithful representation in the financial statements of the balances of the Financial Liabilities and Other Payables accounts in the amounts of P242.065 million and P6.679 million, respectively, as of December 31, 2020 could not be established due to: (a) absence of delivery receipts, certificate of acceptance, and other related documents to ascertain that the goods/services were already delivered/rendered/ completed and accepted to support the booking of the Accounts Payable of P198.289 million; (b) discrepancies totaling P1.746 million between the balances per GL and as confirmed by suppliers which remained unreconciled at year-end; and (c) unsubstantiated bank reconciling items totaling P4.997 million recorded under Other Payables account, contrary to Paragraph 27 of IPSAS 1 and Item 3.26 of the Conceptual Framework on the General Purpose Financial Reporting by Public Sector Entities.

Further, interest income from trust accounts invested with the Land Bank of the Philippines in the amount of P3.844 million was not recognized in the books at year end resulting in the understatement of the Investments and Interest Income accounts.

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

Other Matters

In our report dated August 26, 2020, we expressed a modified opinion on the CY 2019 financial statements because the faithful representation in the financial statements of the reported Net Surplus (net income) and Accumulated Surplus/(Deficit) as of December 31, 2019 amounting P957.652 million and P1.441 billion, respectively, could not be ascertained due to: (a) unrecorded expenses totaling P156.120 million; and (b) variance of P510.041 million in the Accounts Payable account between per books and Due and Demandable Obligation under Budget and Financial Accountability Form, contrary to Paragraph 3.10 of the Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1.

TPB Management was able to reconcile the said variance and various adjustments were made to correct the deficiencies noted affecting Accumulated Surplus/(Deficit) account. Accordingly, our present opinion on the restated 2019 financial statements, as presented herein is no longer modified concerning these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TPB's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TPB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the TPB to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2020, required by the Bureau of Internal Revenue as disclosed in Note 32 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT

CORAZON D. TENORIO
OIC Supervising Auditor
Audit Group E - Trading and Promotions Group
Cluster 6, Corporate Government Sector

July 12, 2021

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of the **TOURISM PROMOTIONS BOARD** is responsible for the preparation of the financial statements as at **December 31, 2020 and 2019**, including the additional components attached hereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the **TOURISM PROMOTIONS BOARD** in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

USEC. BENITO C. BENGZON JR.
Representing Secretary Bernadette Fatima Romulo-Puyat
Chairperson of the Board of Trustees

12 July 2021
Date Signed

MARLITO D. RODRIGUEZ
Manager, Finance Department

12 July 2021
Date Signed

MARIA ANTHONETTE VELASCO-ALLONES
Chief Operating Officer

12 July 2021
Date Signed

TOURISM PROMOTIONS BOARD
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,567,924,602	1,707,934,596
Other investments	7	-	14,903,121
Receivables - net	8	413,143,481	196,275,633
Inventories	9	71,320,387	39,997,929
Other current assets	10	13,695,854	9,951,149
Total Current Assets		**2,066,084,324**	**1,969,062,428**
Non-Current Assets			
Other investments	7	123,600	123,600
Property, plant and equipment - net	11	42,040,099	43,841,092
Intangible assets	12	2,748,275	2,278,275
Other non-currrent assets	13	877,585,277	190,572,404
Total Non-Current Assets		**922,497,251**	**236,815,371**
TOTAL ASSETS		**2,988,581,575**	**2,205,877,799**
LIABILITIES			
Current Liabilities			
Financial liabilities	14	242,065,350	573,030,800
Inter-agency payables	15	234,719,795	229,145,073
Trust liabilities	16	33,576,520	33,678,254
Other payables	17	6,679,002	2,084,943
Total Current Liabilities		**517,040,667**	**837,939,070**
Non-Current Liabilities			
Trust liabilities	16	877,585,277	-
Total Current Liabilities		**877,585,277**	**-**
TOTAL LIABILITIES		**1,394,625,944**	**837,939,070**
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		**1,593,955,631**	**1,367,938,729**
NET ASSETS/EQUITY			
Accumulated surplus/(deficit)	30	1,343,955,631	1,117,938,729
Government equity	29	250,000,000	250,000,000
TOTAL NET ASSETS/EQUITY		**1,593,955,631**	**1,367,938,729**

The notes on pages 11 to 47 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (As Restated)
REVENUE			
Service and business income	18	3,258,322	31,598,391
TOTAL REVENUE		**3,258,322**	**31,598,391**
CURRENT OPERATING EXPENSES			
Personnel services	19	106,027,071	92,543,423
Maintenance and other operating expenses	20	498,856,818	1,350,280,091
Financial expenses	21	1,073,442	1,825,281
Non-cash expenses	22	22,819,520	8,354,684
TOTAL CURRENT OPERATING EXPENSES		**628,776,851**	**1,453,003,479**
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		**(625,518,529)**	**(1,421,405,088)**
Other non-operating income	23	5,703	2,202
Gains	24	208	-
Losses	25	(4,065,219)	(1,880,418)
DEFICIT BEFORE SUBSIDY		**(629,577,837)**	**(1,423,283,304)**
Net assistance/subsidy	26	1,245,498,886	1,819,234,541
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**615,921,049**	**395,951,237**

The notes on pages 11 to 47 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Accumulated surplus Note 30	Government equity Note 29	Total
BALANCE AT JANUARY 1, 2019	483,457,252	250,000,000	733,457,252
ADJUSTMENTS:			
Add/(Deduct):			
Change in accounting policies	-	-	-
Prior year's adjustments	238,530,240	-	238,530,240
Other adjustments	-	-	-
RESTATED BALANCE AT JANUARY 1, 2019	**721,987,492**	**250,000,000**	**971,987,492**
Changes in Net Assets/Equity for CY 2019			
Add/(Deduct):			
Surplus/(Deficit) for the period, as previously stated	957,651,885	-	957,651,885
Prior year's adjustments	(561,700,648)	-	(561,700,648)
Surplus/(Deficit) for the period, as restated	395,951,237	-	395,951,237
RESTATED BALANCE AT DECEMBER 31, 2019	**1,117,938,729**	**250,000,000**	**1,367,938,729**
Changes in Net Assets/Equity for CY 2020			
Add/(Deduct):			
Surplus/(Deficit) for the period	615,921,049	-	615,921,049
Other adjustments	(389,904,147)	-	(389,904,147)
BALANCE AT DECEMBER 31, 2020	**1,343,955,631**	**250,000,000**	**1,593,955,631**

The notes on pages 11 to 47 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of revenue		3,028,018	24,084,723
Receipt of assistance/subsidy		1,245,498,886	1,819,234,541
Trust receipts		717,619	1,343,367
Other receipts		36,787,066	39,582,055
Total cash inflows		**1,286,031,589**	**1,884,244,686**
Adjustments		108,469,680	103,507,124
Adjustment Cash Inflows		**1,394,501,269**	**1,987,751,810**
Cash outflows			
Payment of expenses		254,024,636	543,042,818
Purchase of inventory		21,702,208	31,598,338
Grant of cash advance		5,729,556	42,645,201
Prepayments		6,897,772	7,757,170
Payment of accounts payable		394,819,563	172,770,549
Refund of deposits		-	317,250
Remittance of personnel benefit contributions and mandatory deductions		30,759,314	21,167,881
Release of inter-agency fund transfers		525,977,973	485,161,520
Other disbursements		102,195,668	13,400,356
Total cash outflows		**1,342,106,690**	**1,317,861,083**
Adjustments		389,904,147	-
Adjustment Cash Outflows		**1,732,010,837**	**1,317,861,083**
Net cash provided by (used in) operating activities		**(337,509,568)**	**669,890,727**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow			
Proceeds from sale/disposal of property, plant and equipment		36,350	72,400
Receipt of interest earned		-	5,919,491
Proceeds from matured investments		205,775,037	249,867,509
Total cash inflow		**205,811,387**	**255,859,400**
Cash outflow			
Purchase/construction of property, plant and equipment		3,904,990	5,204,500
Purchase of intangible assets		470,000	-
Total cash outflow		**4,374,990**	**5,204,500**
Net cash provided by (used in) investing activities		**201,436,397**	**250,654,900**
Net increase (decrease) in cash and cash equivalents		(136,073,171)	920,545,627
Effects of exchange rate changes on cash and cash equivalents		(3,936,823)	(1,694,034)
Cash and cash equivalents, January 1		1,707,934,596	789,083,003
Cash and cash equivalents, December 31	**6**	**1,567,924,602**	**1,707,934,596**

The notes on pages 11 to 47 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2020
(In Philippine Peso)

	Budgeted Amount		Actual	
	Original	Final	Amounts on Comparable Basis	Difference Final Budget vs. Actual
	Note 30			
RECEIPTS				
Service and business income	76,311,000	76,311,000	3,258,322	73,052,678
Assistance and subsidy	1,106,412,000	1,106,412,000	1,245,498,886	(139,086,886)
Other non-operating income	-	-	5,703	(5,703)
Others	-	-	-	-
Total receipts	**1,182,723,000**	**1,182,723,000**	**1,248,762,911**	**(66,039,911)**
PAYMENTS				
Personnel services	122,002,000	117,559,435	105,604,143	11,955,292
Maintenance and other operating expenses	1,054,044,000	1,028,164,566	627,691,912	400,472,654
Capital outlay	6,677,000	15,677,000	329,988	15,347,012
Total payments	**1,182,723,000**	**1,161,401,001**	**733,626,043**	**427,774,958**
NET RECEIPTS/(PAYMENTS)	**-**	**21,321,999**	**515,136,868**	**(493,814,869)**

The notes on pages 11 to 47 form part of these financial statements.

TOURISM PROMOTIONS BOARD
NOTES TO FINANCIAL STATEMENTS
(*All amounts in Philippine Peso, unless otherwise stated*)

1. GENERAL INFORMATION

The Tourism Promotions Board (TPB), a Government-Owned and Controlled Corporation (GOCC) and an attached agency of the Department of Tourism (DOT), was created by virtue of 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, also confirmed during its June 21, 2010 meeting, the reorganization of the PCVC into the TPB.

TPB is responsible for marketing and promoting the Philippines domestically and internationally as a major global tourism destination, highlighting the uniqueness and assisting the development of its tourism products and services, with the end in view of increasing tourist arrivals and tourism investments; marketing the Philippines as a major Meetings, Incentives, Conventions and Exhibitions (MICE) destination; attracting, promoting, facilitating and servicing large scale events, international fairs and conventions, congresses, sports competitions, expositions and the like; ensuring 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.

The TPB shall have all the general powers of a corporation as provided under the Corporation Code. In addition, it shall have the following functions:

(a) Organize the Philippine TPB (PTPB) in a manner most efficient and economical for the conduct of its business and the implementation of its mandate;

(b) Develop and implement a plan to market the Philippines as a premier tourist destination;

(c) Direct and coordinate the resources and efforts of the government and the private sector in the tourism and allied fields for the full realization of the tourism marketing plans and programs;

(d) Develop and promote the Philippines as a center for international meetings, incentive programs, conventions, exhibitions, sports and wellness, medical tourism and other special events;

(e) Engage in the business of tourism and perform acts in consonance therewith, such as, but not limited to, creating subsidiaries in support of its marketing functions in partnership with the private sector; as well as attending conventions and other events abroad in representation of the country, encouraging sales promotions and advertising, and implementing programs and projects with the objective of promoting the country and enticing tourists to visit its tourism destinations and to enjoy its tourism products;

(f) Contract loans, indebtedness and credit, and issue commercial papers and bonds, in any local or convertible foreign currency from international financial institutions, foreign government entities, and local or foreign private commercial banks or similar institutions under terms and conditions prescribed by law, rules and regulations;

(g) Execute any deed of guarantee, mortgage, pledge, trust or assignment of any property for the purpose of financing the programs and projects deemed vital for the early attainment of its goals and objectives, subject to the provisions of the Constitution [Article VII, Section 20 and Article XII, Section 2, paragraphs (4) and (5)];

(h) Receive donations, grants, bequests and assistance of all kinds from local and foreign governments and private sectors and utilize the same;

(i) Extend loans through government banks and financial assistance for manpower training, heritage preservation, infrastructure development and other programs of the Department;

(j) Obtain the services of local and foreign consultants and enter into contracts locally and abroad in the performance of its functions; and

(k) Perform all other powers and functions of a corporation.

The agency's office is located at Fourth Floor, Legaspi Towers 300, Roxas Boulevard corner Vito Cruz, Manila.

The financial statements of the TPB were authorized for issue on July 12, 2021, as shown in the Statement of Management's Responsibility for Financial Statements signed by Department of Tourism Undersecretary Benito C. Bengzon, Jr., representing the Chairperson of the Board of Trustees.

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

2.1 Statement of Compliance with International Public Sector Accounting Standards (IPSASs)

The financial statements have been prepared in compliance with IPSASs, formerly the Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the Commission on Audit (COA) in COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-01 dated January 9, 2020.

The financial statements are prepared by fund cluster in compliance with the requirements of COA Circular No. 2016-006.

The accounting policies have been consistently applied throughout the year presented.

2.2 Preparation of Financial Statements

The TPB's financial statements have been prepared under the historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso, the TPB's functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The TPB's financial statements are prepared on an accrual basis in accordance with the IPSASs.

3.2 *Financial Instruments*

a. Financial assets

i. Initial recognition and measurement

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the TPB commits to purchase or sell the asset.

The TPB's financial assets include: cash and cash equivalents, receivables from employees and other agencies, and investments.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

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

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

2. Receivables

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

3. Held-to-maturity

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

Held-to-maturity investments, which consist of special contingency fund deposited at a government short-term high-yield savings account, are initially measured at principal amount and adjusted for any interest income that accrues therefrom. Upon maturity of high-yield savings account, the principal amount plus the interest are redeposited for another term.

iii. Derecognition

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

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

2. the TPB has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:

    - transferred substantially all the risks and rewards of ownership of the financial asset; or

- neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset

iv. Impairment of financial assets

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

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;

2. Default or delinquency in interest or principal payments;

3. The probability that debtors will enter bankruptcy or other financial reorganization; and

4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the TPB first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the TPB determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to TPB. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

The estimated allowance for impairment loss on a given period is computed following a certain percentage determined based on the experience of Management on the collectability of loans and receivables, as follows:

Age of Accounts	Percentage
1– 60 days	- 1%
61-180 Days	- 2%
181 days to 1 year	- 3%
More than 1 year	- 5%

b. Financial liabilities

i. Initial recognition and measurement

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

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

The TPB's financial liabilities include payables to supplier, employees and other contractors, inter-agency payables, and trust liabilities such as guarantee deposits and retention fees.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit -

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

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

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

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

2. Loans and borrowings

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

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

iii. Derecognition

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

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

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand and cash in bank, high-yield savings account with an original maturity of three months, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Dollar collections are translated into the local currency based on the Bangko Sentral ng Pilipinas daily rate.

3.4 *Inventories*

Inventory is measured at cost upon initial recognition. After initial recognition, inventory is measured at the lower of cost and net realizable value.

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

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

3.5 *Property, Plant and Equipment*

a. Recognition

An item is recognized as Property Plant and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

i. tangible items;

ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;

ii. the cost or fair value of the item can be measured reliably; and

iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

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

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

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
ii. Expenditure that is directly attributable to the acquisition of the items; and

iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

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

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

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

d. Depreciation

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

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

i. Initial recognition of depreciation

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

Depreciation starts on the second month from the date of acquisition.

ii. Depreciation method

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

iii. Estimated useful life

The TPB uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience, as follows:

Buildings	- 30 years
Motor vehicles	- 10 years
Furniture and fixtures	- 10 years
Office equipment	- 5 years
Information, communication and technology equipment	- 5 years
Other property, plant and equipment	- 5 years

iv. Residual value

The TPB uses a residual value equivalent to at least ten per cent (10%) of the cost of the PPE.

e. Impairment

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

f. Derecognition

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

3.6 *Intangible Assets*

a. Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in IPSAS 5, *Borrowing Costs*.

b. Recognition of an expense

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

c. Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight-line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life is not to be amortized.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

3.7 *Provisions, Contingent Liabilities and Contingent Assets*

a. Provisions

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

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

The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

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

b. Contingent liabilities

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

c. Contingent assets

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

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

3.8 *Changes in Accounting Policies and Estimates*

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

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

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

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or

- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 *Foreign Currency Transactions*

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

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

3.10 *Revenue from Non-Exchange Transactions*

a. Recognition and measurement of assets from non-exchange transactions

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

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

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

b. Recognition of revenue from non-exchange transactions

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

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

c. Measurement of revenue from non-exchange transactions

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

d. Measurement of liabilities on initial recognition from non-exchange transactions

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

e. Gifts and donations

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

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

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

f. Transfers

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

g. Services in-kind

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

h. Transfers from other government entities

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

3.11 *Revenue from Exchange Transactions*

a. Measurement of revenue

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

b. Rendering of services

TPB recognizes revenue from rendering of services by full completion or the outcome of the transaction can be measured reliably.

c. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

d. Dividends

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

3.12 *Budget Information*

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

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in *Note 31*.

3.13 *Related Parties*

The TPB regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the TPB or vice versa.

Members of key management and the members of the TPB Board are regarded as related parties.

3.14 *Employee Benefits*

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

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

3.15 *Measurement Uncertainty*

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

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

4. PRIOR PERIOD ADJUSTMENTS

4.2 *Due to Prior Period Errors*

Prior period errors consist of unrecorded advertising, marketing and promotional expenses, accrued expenses, depreciation and other correction of errors in the financial statements. Details were provided in *Note 30*.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The TPB is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest/Market risks
- Operational risk

This note present information about the TPB's exposure to each of the above risks, the TPB objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

5.1 *Risk Management Framework*

The TPB Board has overall responsibility for the establishment and oversight of TPB's risk management framework. The Board is expected to establish and institute adequate control mechanisms for good governance in TPB. The minimum internal control mechanisms for the Board's oversight responsibility include but shall not be limited to:

1. Formulation and adoption of organization and procedural controls through an effective management information system and risk management reporting system.

2. Appropriation of remedial measures when conflict of interest situations may arise.

3. Institute adequate selection, appointment and retention policies and procedures for the qualified and competent Management.

4. Ensure the development and review of personnel and human resource policies of the Agency, compensation plan and management succession plan as may be provided.

In view of the foregoing and in accordance with the Governance Commission for Government-Owned or Controlled Corporations (GCG) Memorandum Circular No. 2012-07 (Code of Corporate Governance and Section 17 of TPB Manual of Corporate Governance), the Board has created the TPB's Executive Committee, Governance Committee, Audit Committee and Risk Management Committee where each committee is composed of three (3) board members and one (1) executive or manager knowledgeable in audit, accounting and finance while the Executive Committee is headed by the Chief Operating Officer (COO), the Deputy COOs, and all Department Managers as members.

The Risk Management Committee is specifically responsible for the following:

1. Perform oversight risk management functions specifically in the areas of:

   a. Management of financial liquidity, solvency and viability, organizational and operational stability and sustainability, legal, reputational and other risks.

b. Crisis management which includes receiving from Senior Management periodic information on risk exposures and risk management activities.

2. Develop the Risk Management Policy and ensure that the risk management processes and compliances are embedded throughout the operations of TPB, especially at the Board and Management levels.

3. Provide reports and updates on key risk management issues as well as ad hoc reports and evaluation on investment proposals.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the Statements of Financial Position, as summarized below.

	Note	2020	2019 (As Restated)
Financial assets			
Cash and cash equivalents	*6*	1,567,924,602	1,707,934,596
Other investments	*7*	-	14,903,121
Receivables – net	*8*	413,143,481	196,275,633
		1,981,068,083	**1,919,113,350**
Financial liabilities			
Financial liabilities	*14*	242,065,350	573,030,800
Inter-agency payables	*15*	234,719,795	229,145,073
Trust liabilities	*16*	911,161,797	33,678,254
		1,387,946,942	**835,854,127**

5.2 *Credit Risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the TPB. The TPB has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or security deposit where appropriate as a means of mitigating the risk of financial loss from defaults. The TPB defines counterparties as having similar characteristics if they are related entities.

Also, the TPB manages its credit risk by depositing its cash with Land Bank of the Philippines (LBP), an authorized government depository bank. Further, TPB ensures timely liquidation of cash advances/accountabilities.

The carrying amount of financial assets recognized in the financial statements represents the TPB's maximum exposure to credit risk.

a. <u>Credit risk exposure</u>

The following table shows the gross maximum exposure to credit risk of the TPB as of the years ended December 31, 2020 and 2019, without considering the effects of credit risk mitigation techniques.

	Note	2020	2019 (As Restated)
Financial assets			
Cash and cash equivalents	*6*	1,567,924,602	1,707,934,596
Other investments	*7*	-	14,903,121
Receivables*	*8*	413,143,481	196,275,633
		1,981,068,083	**1,919,113,350**

**Receivables at net of allowance for impairment amounting to P24,820,170 and P9,758,994 for the years ended December 31, 2020 and 2019, respectively.*

b. Management of credit risk

The management of credit risk is covered by the Risk Remedial and Management Committee. The Finance Department and Cash Unit of the Agency are in charge of controlling, monitoring and collecting payments of all its receivables due from employees, foreign offices and clientele. Receivables from employees consist of cash advances for project implementations and travel allowances. Status of outstanding receivables is summarized quarterly in a schedule and is submitted to the COA. Should there be no payments received, the Accounting Division follows up either through phone call or write demand letters for collection until settled. Failure of employees and foreign offices to liquidate and refund the balances, if any, would result in the withholding of salaries and future remittances.

c. Settlement risk

The TPB’s activities may give rise to risk at the time of settlement of transaction and trades. Settlement risk is the risk of loss due to the failure of a company to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the TPB mitigates this risk by ensuring that an obligation is settled only when both parties have fulfilled their contractual deliverables.

d. Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of the TPB’s performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the TPB’s financial strength and undermine public confidence.

e. Aging analysis

An aging analysis of the TPB’s receivables as of the year ended December 31, 2020 is disclosed in Note 8.3.

f. Impairment assessment

The TPB recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the TPB in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the TPB assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the TPB when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write-offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

5.3 *Liquidity Risk*

Liquidity risk is the risk that the TPB might encounter difficulty in meeting obligations from its financial liabilities.

a. <u>Management of liquidity risk</u>

The TPB's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the TPB's reputation.

The TPB maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to TPB and other facilities, to ensure that sufficient liquidity is maintained within the TPB as a whole.

b. Exposure to liquidity risk

The liquidity risk is the adverse situation when the TPB encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of TPB.

The liquidity management policy of the TPB is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. The TPB's funding requirements is generally met through any or a combination of financial modes allowed by law that would give the most advantageous results. Senior Management is actively involved in the Executive Committee headed by the Administrator with the Deputy Administrator, Assistant Administrator and Managers of all departments.

The table below summarizes the maturity profile of the TPB's financial liabilities as at December 31, 2020.

As at December 31, 2020	Within 1 Year	Over 1 – 5 Years	Over 5 Years	Total
Financial liabilities	242,065,350	-	-	242,065,350
Inter-agency payables	234,719,795	-	-	234,719,795
Trust liabilities	911,161,797	-	-	911,161,797
Other payables	6,679,002	-	-	6,679,002
Total	1,394,625,944	-	-	1,394,625,944

5.4 *Market Risks*

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the TPB's income, liquidity or the value of its holdings of financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the TPB's financial assets and liabilities to various standard and non-standard interest rate scenarios.

5.5 *Operational Risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the TPB's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the TPB's operations and are faced by all business entities.

The TPB's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the TPB's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transaction
- Requirement for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risk faced, and the adequacy of control and procedures to address the risk identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with corporate standards/processes is supported by a program of periodic reviews undertaken by Internal Audit or the Quality Management System (QMS) Team Auditors. The results of Internal Audit reviews are discussed with Management, with summaries to the Audit Committee and Senior Management.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2020	2019 (As Restated)
Cash in bank	1,567,804,602	1,707,839,596
Cash on hand	120,000	95,000
	1,567,924,602	**1,707,934,596**

The Cash in bank account includes the: (a) Special Contingency Fund; (b) Trust Liability Accounts Fund; (c) Foreign Currency – Savings Dollar Account converted at P48.036 closing rate; and (d) other cash balance for use in the usual course of operation.

7. INVESTMENTS

This account consists of the following:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Investments in time deposits	-	-	-	14,903,121	-	14,903,121
Investments in stocks	-	123,600	123,600	-	123,600	123,600
	-	**123,600**	**123,600**	**14,903,121**	**123,600**	**15,026,721**

7.1 Investments in time deposits

This account consists of government equity (principal plus interest) deposited in High-Yield Savings Account with Land Bank of the Philippines (LBP). The deposit account has short-term maturity period of six (6) months. Upon maturity, the principal, plus any interest accruing thereon is rolled-over for another 6 months. The deposit earns an interest rate of approximately 1.25 per cent semi-annually or 2.5 per cent per annum.

Financial assets – investment in time deposits	2020	2019 (As Restated)
Beginning balance as at January 1	14,903,121	264,828,591
Less: Matured time deposits	14,926,294	250,000,000
Add: Interest earned	23,173	74,530
Balance as at December 31	**-**	**14,903,121**

7.2 Investment in stocks

This account pertains to the investment in securities of service enterprises that represents agency's preferred shares of stocks with Philippine Long Distance Telephone, Inc. (PLDT) as subscriber's investment for telephone lines as required by Presidential Decree No. 217.

8. RECEIVABLES

This account consists of the following:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Loans and receivables accounts						
Interest receivables	-	-	-	61,249	-	61,249
Sub-total – Loans and receivables	-	-	-	61,249	-	61,249
Inter-agency receivables						
Due from NGAs	327,436,492	-	327,436,492	200,612,737	-	200,612,737
Due from LGUs	94,790,672	-	94,790,672	2,324,153	-	2,324,153
Due from GOCCs	14,833,030	-	14,833,030	2,133,031	-	2,133,031
Sub-total –Inter-agency receivables	437,060,194	-	437,060,194	205,069,921	-	205,069,921
Other receivables						
Due from officers and employees	176,056	-	176,056	176,056	-	176,056
Other receivables	727,401	-	727,401	727,401	-	727,401
Sub-total – Other receivables	903,457	-	903,457	903,457	-	903,457
Total Receivables	**437,963,651**	**-**	**437,963,651**	**206,034,627**	**-**	**206,034,627**
Less: Allowance for impairment-receivables	(24,820,170)	-	(24,820,170)	(9,758,994)	-	(9,758,994)
	413,143,481	**-**	**413,143,481**	**196,275,633**	**-**	**196,275,633**

8.1 Inter-agency receivables

8.1.1 Due from national government agencies (NGAs)

Due from NGAs account consists of fund remittances to local and foreign DOT offices for the implementation of various events or projects. Liquidation period for local and foreign fund transfers is 60 days.

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 Trustees covering the period 1988 - 2008 at P200,000 per annum as provided for under Section 14.1 of Executive Order No. 120-A dated July 20, 1978.

Receivables from these two (2) agencies were not accrued since 2009. An allowance for bad debts for these were never provided. 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.

8.1.2 Due from local government units (LGUs)

Due from LGUs account represents financial assistance and sponsorship to LGUs.

8.1.3 Due from government-owned or controlled corporations (GOCCs)

Due from GOCCs account represents share of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA), formerly the Philippine Tourism Authority (PTA) in the ASTA World Congress/other miscellaneous receivables. Also included is the fund transfer to Philippine Children's Medical Center for the provision of RT-PCR tests to domestic tourists.

8.2 Other receivables

8.2.1 Due from officers and employees

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

8.2.2 Other receivables

Other receivables account represents over payment made to various suppliers.

8.3 Aging analysis of receivables as at December 31, 2020

	Not Past Due	Past Due < 30 days	Past Due > 60 days	Total
Inter-agency receivables:				
Due from NGAs	57,093,559	91,186,808	179,156,125	327,436,492
Due from LGUs	33,847,339	32,369,615	28,573,718	94,790,672
Due from GOCCs	12,699,999	-	2,133,031	14,833,030
Sub - total – Inter-agency receivables	103,640,897	123,556,423	209,862,874	437,060,194
Other receivables:				
Due from officers and employees	-	-	176,056	176,056
Other receivables	602,644	-	124,757	727,401
Sub- total – Other receivables	602,644	-	300,813	903,457
	104,243,541	**123,556,423**	**210,163,687**	**437,963,651**
Less: Allowance for impairment	(2,947,667)	(2,471,128)	(19,401,375)	(24,820,170)
	101,295,874	**121,085,295**	**190,762,312**	**413,143,481**

9. INVENTORIES

	2020		2019 (As Restated)	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
Office supplies inventory				
Carrying amount, January 1	2,168,058	-	2,295,107	-
Additions/acquisitions during the year	3,041,558	-	5,271,288	-
Expensed during the year except write-down	(1,755,143)	-	(5,398,337)	-
Other adjustments	-	-	-	-
Carrying amount, December 31	**3,454,473**	**-**	**2,168,058**	**-**
Other supplies and material inventory				
Carrying amount, January 1	37,829,871	-	26,159,443	-
Additions/acquisitions during the year	43,125,454	-	41,839,758	-
Expensed during the year except write-down	(13,089,411)	-	(30,169,330)	-
Carrying amount, December 31	**67,865,914**	**-**	**37,829,871**	**-**
Semi-expendable inventory				
Carrying amount, January 1	-	-	-	-
Additions/acquisitions during the year	146,307	-	235,635	-
Expensed during the year except write-down	(146,307)	-	(235,635)	-
Other adjustments	-	-	-	-
Carrying amount, December 31	**-**	-	-	-
	71,320,387	**-**	**39,997,929**	**-**

Inventories are measured at cost upon initial recognition and are recognized as an expense when issued for consumption in the ordinary course of operation of the TPB.

10. OTHER CURRENT ASSETS

This account consists of the following:

	2020			2019 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Advances:						
Advances to officers and employees	1,276,814	-	1,276,814	2,413,684	-	2,413,684
Sub- total – Advances	1,276,814	-	1,276,814	2,413,684	-	2,413,684
Prepayments:						
Prepaid rent	-	-	-	28,722	-	28,722
Prepaid insurance	39,028	-	39,028	16,015	-	16,015
Other prepayments	9,388,159	-	9,388,159	4,500,875	-	4,500,875
Sub- total – Prepayments	9,427,187	-	9,427,187	4,545,612	-	4,545,612
Deposits:						
Guaranty deposits	2,991,853	-	2,991,853	2,991,853	-	2,991,853
Sub- total – Deposits	2,991,853	-	2,991,853	2,991,853	-	2,991,853
	13,695,854	**-**	**13,695,854**	**9,951,149**	**-**	**9,951,149**

Prepaid insurance pertains to the unexpired portion as of December 31, 2020 of Government Service Insurance System (GSIS) insurance premiums paid for vehicles.

Other prepayments pertain to the consumable deposit to the Department of Budget and Management (DBM) - Procurement Service relative to the procurement of office supplies and air ticket requirements per Government Fares Agreement with Philippine Airlines and Cebu Pacific.

10.1 Aging of advances to officers and employees as at December 31, 2020

	Not Past	Past Due		
	Due	< 30 days	> 60 days	Total
Advances to officers and employees	347,000	763,750	166,064	1,276,814
	347,000	**763,750**	**166,064**	**1,276,814**

11. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

As at December 31, 2019 (Restated)

	Buildings and other structures	Office equipment	Info. & Com. tech. & equipment	Other machinery & equipment	Furniture & fixtures	Books	Motor vehicles	Other property, plant & equipment	Total
Carrying amount, January 1, 2019	14,740,209	12,963,935	10,196,778	-	1,435,881	6,445	9,052,773	256,722	48,652,743
Additions/Acquisitions	15,000	2,104,274	283,726	-	541,100		2,327,000	-	5,271,100
Total	14,755,209	15,068,209	10,480,504	-	1,976,981	6,445	11,379,773	256,722	53,923,843
Disposals	-	(2,749)	(1,770)	-	-	-	(91,497)	-	(96,016)
Depreciation	(456,931)	(3,596,242)	(2,651,389)		(185,305)	-	(1,405,283)	(59,534)	(8,354,684)
Impairment loss	-	-	-		-	-	-	-	-
Adjustment-	-	(7,987,042)	7,519,032	100,142	(472,995)	-	(594,000)	(197,188)	(1,632,051)
Carrying amount, December 31, 2019	**14,298,278**	**3,482,176**	**15,346,377**	**100,142**	**1,318,681**	**6,445**	**9,288,993**	**-**	**43,841,092**
Gross cost	24,004,753	7,677,650	38,594,631	494,889	1,891,841	64,450	16,895,852	-	89,624,066
Less: Accumulated depreciation	(9,706,475)	(4,195,474)	(23,248,254)	(394,747)	(573,160)	(58,005)	(7,606,859)	-	(45,782,974)
Carrying amount, December 31, 2019	**14,298,278**	**3,482,176**	**15,346,377**	**100,142**	**1,318,681**	**6,445**	**9,288,993**	**-**	**43,841,092**

As at December 31, 2020

	Buildings and other structures	Office equipment	Info. & Com. tech. & equipment	Other machinery & equipment	Furniture & fixtures	Books	Motor vehicles	Total
Carrying amount, January 1, 2020	14,298,278	3,482,176	15,346,377	100,142	1,318,681	6,445	9,288,993	43,841,092
Additions/Acquisitions	50,000	375,353	5,576,537		120,000			6,121,890
Total	14,348,278	3,857,529	20,922,914	100,142	1,438,681	6,445	9,288,993	49,962,982
Disposals	-	(123,739)	(40,800)	-	-	-	-	(164,539)
Depreciation	(461,019)	(1,282,186)	(4,515,519)	(17,672)	(120,449)	-	(1,361,499)	(7,758,344)
Carrying amount, December 31, 2020	**13,887,259**	**2,451,604**	**16,366,595**	**82,470**	**1,318,232**	**6,445**	**7,927,494**	**42,040,099**
Gross cost	24,054,753	6,815,613	43,763,168	494,889	2,011,841	64,450	16,895,852	94,100,566
Less: Accumulated depreciation	(10,167,494)	(4,364,009)	(27,396,573)	(412,419)	(693,609)	(58,005)	(8,968,358)	(52,060,467)
Carrying amount, December 31, 2020	**13,887,259**	**2,451,604**	**16,366,595**	**82,470**	**1,318,232**	**6,445**	**7,927,494**	**42,040,099**

Out of the total acquisition, P2,216,900 is still unpaid as of December 31, 2020.

12. INTANGIBLE ASSETS

	2020	2019 (As Restated)
Carrying amount, January 1	2,278,275	2,278,275
Additions – acquisition	470,000	-
Carrying amount, December 31	**2,748,275**	**2,278,275**

Intangible assets are recognized and measured initially at cost. Subsequent measurement is at cost less any accumulated amortization and any accumulated impairment loss. Amortization shall start when the asset is available for use, in the location and condition necessary for the asset to be capable of operating in the manner intended by the Management.

13. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Restricted fund	-	877,585,277	877,585,277	-	190,572,404	190,572,404
	-	**877,585,277**	**877,585,277**	**-**	**190,572,404**	**190,572,404**

This account consists of the proceeds from the sale of Hilaga Property received from TIEZA. In compliance with Section 54 of RA No. 9593, *otherwise known as the Tourism Act of 2009*, a Tourism Promotions Trust was established for the said proceeds and thereafter invested with the LBP. Investment earnings from the said Trust Fund shall be available to finance the activities of TPB.

14. FINANCIAL LIABILITIES

This account consists of the following:

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Payables	241,779,706	-	241,779,706	572,862,485	-	572,862,485
Tax refunds payable	285,644	-	285,644	168,315	-	168,315
	242,065,350	**-**	**242,065,350**	**573,030,800**	**-**	**573,030,800**

14.1 Payables

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	236,483,469	-	236,483,469	567,164,061	-	567,164,061
Due to officers and employees	5,296,237	-	5,296,237	5,698,424	-	5,698,424
	241,779,706	**-**	**241,779,706**	**572,862,485**	**-**	**572,862,485**

14.1.1 Accounts payable

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

14.1.2 Due to officers and employees

The Due to Officers and Employees account represents unpaid salaries and allowances, terminal leave and separation incentive package of the retired employees.

14.2 Tax refunds payable

	2020			2019 (As Restated)		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Tax refunds payable	285,644	-	285,644	168,315	-	168,315
	285,644	**-**	**285,644**	**168,315**	**-**	**168,315**

Tax Refunds Payable refers to over withheld taxes from employees during the year and balance of unclaimed tax refunds of employees who have already separated from service.

14.3 Aging of financial liabilities as at December 31, 2020

	< 30 days	**< 90 days**	**<360 days**	**> 360 days**	**Total**
Accounts payable	147,410,370	5,323,000	83,703,223	46,876	236,483,469
Due to officers and employees	435,659	-	425,694	4,434,884	5,296,237
Tax refunds payable	-	-	-	285,644	285,644
	147,846,029	**5,323,000**	**84,128,917**	**4,767,404**	**242,065,350**

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2020			2019 (As Restated)		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Due to GSIS	903,199	-	903,199	527,524	-	527,524
Due to BIR	16,026,614	-	16,026,614	10,039,609	-	10,039,609
Due to PhilHealth	119,118	-	119,118	30,269	-	30,269
Due to Pag-IBIG	947,113	-	947,113	1,823,920	-	1,823,920
Due to NGAs	211,895,120	-	211,895,120	211,895,120	-	211,895,120
Due to GOCC	4,828,631	-	4,828,631	4,828,631	-	4,828,631
	234,719,795	**-**	**234,719,795**	**229,145,073**	**-**	**229,145,073**

Advances received for the implementation of various tourism promotional/marketing projects and advertising campaign program of the DOT and TIEZA comprise Due to NGAs and Due to GOCCs, respectively.

16. TRUST LIABILITIES

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Trust liabilities	-	877,585,277	877,585,277	-	-	-
Guaranty/security deposits payable	33,576,520	-	33,576,520	33,678,254	-	33,678,254
	33,576,520	**877,585,277**	**911,161,797**	**33,678,254**	**-**	**33,678,254**

Trust Liabilities account represents the proceeds from the sale of Hilaga Property.

Guaranty/Security Deposits Payable account represents the receipts from service providers/suppliers to guarantee their performance to be refunded upon full delivery of service and termination/completion of contract.

17. OTHER PAYABLES

	2020			2019 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Undistributed collections	3,997,216	-	3,997,216	-	-	-
Other payables	2,681,786	-	2,681,786	2,084,943	-	2,084,943
	6,679,002	**-**	**6,679,002**	**2,084,943**	**-**	**2,084,943**

The Undistributed Collections account represents direct deposits which source and nature are yet to be determined, whereas Other Payables account consists of collections from bid documents, insular insurance fee and mobile loans deducted from the payroll of regular employees.

18. REVENUES

This line item consists of the following:

	2020	2019 (As Restated)
Service income:		
Registration fees	1,616,652	21,183,234
Total service income	1,616,652	21,183,234
Business income:		
Other business income	244,500	2,215,892
Interest income	1,382,051	8,139,518
Fines and penalties	15,119	59,747
Total business income	1,641,670	10,415,157
	3,258,322	**31,598,391**

The interest income derived from investing activities amounts to P299,511 and P5,905,669 for CYs 2020 and 2019, respectively.

19. PERSONNEL SERVICES

This line item consists of:

	2020	2019 (As Restated)
Salaries and wages	54,618,429	48,142,322
Other compensation	33,641,913	27,343,272
Personnel benefit contributions	8,317,935	5,885,657
Other personnel benefits	9,448,794	11,172,172
	106,027,071	**92,543,423**

19.1 Salaries and wages

	2020	2019 (As Restated)
Salaries and wages – regular	54,618,429	48,142,322
	54,618,429	**48,142,322**

19.2 Other compensation

	2020	2019 (As Restated)
Personnel economic relief allowance	2,591,000	2,081,697
Representation allowance	1,980,352	1,775,980
Transportation allowance	1,859,602	1,087,500
Clothing/uniform allowance	660,000	588,000
Productivity incentive allowance	532,500	507,000
Hazard duty pay – civilian	135,500	-
Overtime and night pay	344,417	3,128,066
Cash gift	531,000	498,000
Year-end bonus	4,787,558	4,055,841
Mid-year bonus	4,375,729	3,685,669
Other bonuses and allowances	15,844,255	9,935,519
	33,641,913	**27,343,272**

19.3 Personnel benefit contributions

	2020	2019 (As Restated)
Retirement and life insurance premiums	7,279,316	5,181,169
Pag-IBIG contributions	139,700	114,900
PhilHealth contributions	759,619	484,788
Employees compensation insurance premiums	139,300	104,800
	8,317,935	**5,885,657**

19.4 Other personnel benefits

	2020	2019 (As Restated)
Terminal leave benefits	6,670,791	3,416,325
Other personnel benefits	2,721,003	7,755,847
Incentive and loyalty award	30,000	-
Retirement gratuity	27,000	-
	9,448,794	**11,172,172**

19.5 Employees future benefits

The permanent employees of the TPB contribute to the GSIS in accordance with the RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the Act applies. Social insurance (life and retirement) benefits are mandatory-defined contribution plans fixed at nine (9) per cent of the basic salaries of regular government employees. Total contributions to GSIS for CY 2020 amounted to P12,013,640, broken down as follows: employees' share – P5,146,906 and government share – P6,866,734.

20. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of:

	2020	2019 (As Restated)
Traveling expenses	8,692,499	36,100,733
Training and scholarship expenses	6,494,152	10,254,895
Supplies and materials expenses	4,890,951	9,027,495
Utility expenses	1,737,505	2,359,599
Communication expenses	3,224,880	3,882,912
Confidential, intelligence and extraordinary expenses	532,284	355,987
Professional services	26,013,733	24,596,077
General services	9,349,298	9,671,299
Repairs and maintenance	1,108,161	2,502,836
Taxes, insurance premiums and other fees	2,628,622	3,682,007
Other maintenance and operating expenses	434,184,733	1,247,846,251
	498,856,818	**1,350,280,091**

20.1 Traveling expenses

	2020	2019 (As Restated)
Traveling expenses-local	5,727,362	6,711,212
Traveling expenses-foreign	2,965,137	29,389,521
	8,692,499	**36,100,733**

20.2 Training and scholarship expenses

	2020	2019 (As Restated)
Training expenses	6,494,152	10,254,895
	6,494,152	**10,254,895**

20.3 Supplies and materials expenses

	2020	2019 (As Restated)
Office supplies expenses	1,919,094	4,949,500
Drugs and medicines expenses	-	20,805
Fuel, oil and lubricants expenses	823,679	1,225,876
Semi-expendable machinery and equipment expenses	-	116,542
Semi-expendable information and communications and technology equipment expenses	-	454,120
Semi-expendable other machinery & equipment expenses	4,600	206,401
Semi-expendable furniture, fixtures and books expenses	55,050	459,410
Other supplies and materials expenses	2,088,528	1,594,841
	4,890,951	**9,027,495**

20.4 Utility expenses

	2020	2019 (As Restated)
Electricity expenses	1,720,577	2,327,607
Water expenses	16,928	31,992
	1,737,505	**2,359,599**

20.5 Communication expenses

	2020	2019 (As Restated)
Telephone expenses	1,667,556	1,710,240
Internet subscription expenses	1,557,324	2,172,672
	3,224,880	**3,882,912**

20.6 Confidential, intelligence and extraordinary expenses

	2020	2019 (As Restated)
Extraordinary and miscellaneous expenses	532,284	355,987
	532,284	**355,987**

20.7 Professional services

	2020	2019 (As Restated)
Legal services	3,000,000	-
Auditing services	1,720,638	2,618,114
Consultancy services	1,879,703	2,588,202
Other professional services	19,413,392	19,389,761
	26,013,733	**24,596,077**

20.8 General services

	2020	2019 (As Restated)
Security services	5,890,968	5,890,851
Janitorial services	3,458,330	3,780,448
	9,349,298	**9,671,299**

20.9 Repairs and maintenance

	2020	2019 (As Restated)
Repairs and maintenance-transportation equipment	687,136	1,536,206
Repairs and maintenance-buildings and other structures	202,013	580,054
Repairs and maintenance-machinery and equipment	164,712	334,625
Repairs and maintenance-furniture and fixtures	54,300	51,951
	1,108,161	**2,502,836**

20.10 Taxes, insurance premiums and other fees

	2020	2019 (As Restated)
Taxes, duties and licenses	430,996	1,798,913
Insurance expenses	1,861,995	1,495,188
Fidelity bond premiums	335,631	387,906
	2,628,622	**3,682,007**

20.11 Other maintenance and operating expenses

	2020	2019 (As Restated)
Donations	2,284	-
Rent/lease expenses	10,817,148	7,544,453
Transportation and delivery expenses	1,353,935	1,873,517
Representation expenses	358,696	2,461,150
Printing and publication expenses	-	1,128
Advertising, promotional and marketing expenses	411,732,650	1,229,184,076
Subscription expenses	3,244,720	2,030,830
Postage and courier services	3,897,770	1,011,977
Membership dues and contributions to organizations	1,874,944	2,348,178
Board of Directors allowance and other benefits	340,710	426,300
Other maintenance and operating expenses	561,876	964,642
	434,184,733	**1,247,846,251**

21. FINANCIAL EXPENSES

	2020	2019 (As Restated)
Bank charges	1,073,422	1,825,281
	1,073,442	**1,825,281**

22. NON-CASH EXPENSES

This account consists of the following:

	2020	2019 (As Restated)
Depreciation-buildings and other structures	461,019	456,931
Depreciation-machinery and equipment	5,815,377	6,247,631
Depreciation-transportation equipment	120,449	185,304
Depreciation-furniture, fixtures and books	1,361,499	1,405,284
Depreciation-other property plant and equipment	-	59,534
Impairment loss-loans and receivables	15,061,176	-
	22,819,520	**8,354,684**

23. OTHER NON-OPERATING INCOME

	2020	2019 (As Restated)
Miscellaneous income	5,703	2,202
	5,703	**2,202**

24. GAINS

This line item consists of the following:

	2020	2019 (As Restated)
Gain on foreign exchange (FOREX)	208	-
	208	**-**

25. LOSSES

This line item consists of the following:

	2020	2019 (As Restated)
Loss on foreign exchange (FOREX)	3,937,030	1,694,034
Loss on sale of property, plant and equipment	128,189	186,384
	4,065,219	**1,880,418**

26. ASSISTANCE/SUBSIDY

	2020	2019 (As Restated)
Subsidy income from SAGF	1,090,198,827	1,819,234,541
Subsidy income from other national government agencies	155,300,059	-
	1,245,498,886	**1,819,234,541**

The subsidy income from SAGF consists of subsidy from Special Account in the General Fund (SAGF) – Philippine Amusement and Gaming Corporation (PAGCOR) and Ports. The total subsidy income from SAGF received during CY 2020 amounted to of P1,106,412,000. Out of this amount, P16,213,173 was reverted to the Bureau of the Treasury (BTr).

The subsidy income from other national government agencies represents the TPB's 70 per cent of 50 per cent share of Duty Free Philippines Corporation's (DFPC) annual net income. During the year, TPB received P114,668,559 and P40,631,500 representing its share from DFPC's income for CY 2019 and first quarter of CY 2020, respectively.

27. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

	2020	2019
Surplus for the year	615,921,049	395,951,237
Depreciation	7,758,344	8,354,684
Impairment loss – loans and receivables	15,061,176	-
Losses	4,065,219	1,880,418
Gains	(208)	-
Return of SAGF funds to National Treasury	(389,904,147)	-
Interest earned categorized as investing activity	(299,511)	(5,905,669)
Prior period adjustments	-	561,700,648
(Increase) Decrease in receivables less impairment losses recognized	(231,929,024)	(281,951,833)
Increase in inventories	(31,322,458)	(11,543,379)
(Increase) Decrease in other assets less adjustment due to disposal	(3,744,705)	3,554,329
Increase (Decrease) in financial liabilities less unpaid PPE acquisition and prior year expenses adjusted in 2020	(333,182,350)	3,770,475
Increase (Decrease) in inter-agency payables	5,574,722	6,850,617
Increase (Decrease) in trust liabilities	(101,734)	-835,502
Increase (Decrease) in other payables	4,594,059	(11,935,298)
Net cash flows from operating activities	**(337,509,568)**	**669,890,727**

28. RELATED PARTY TRANSACTIONS

28.1 Related party transactions

The TPB does not have dealings with related parties involving transfer of resources and obligations.

28.2 Key management personnel

The key management personnel of the TPB are the Chief Operating Officer (COO), the Deputy Chief Operating Officers for Corporate Affairs and Marketing and Promotions, and the executives/managers of all departments. The TPB Board consists of the Chairman, COO as Vice Chairman and the six (6) board members representing TIEZA, Department of Foreign Affairs (DFA), DTI, Department of Transportation (DOTr) and two from the Private Sectors, all are appointed by the President of the Philippines.

27.3 Key management personnel compensation

The Chairman and the members of the TPB Board receives per diems for every board meeting attended. The following is the aggregate remuneration for the COO, inclusive of the remuneration pay of officers who are/were permanently appointed and acted as COO throughout CY 2020 and are/were part of the organization's structure/plantilla and on a fulltime basis:

	Aggregate remuneration
Salaries and wages	2,275,724
Other compensation	1,282,386
Total personnel benefits	**3,558,110**

29. GOVERNMENT EQUITY

This account consists of the P250 million authorized capital which is fully subscribed by the National Government as provided in RA No. 9593 (Tourism Act of 2009).

29.1 Capital management

The primary objective of the TPB's capital management is to ensure that resources of the Agency is geared towards the attainment of its mandate and the implementation of its objectives through the programs to be undertaken for the promotion of the Philippines domestically and internationally.

The total government equity of P250 million is currently deposited with LBP current account.

TPB sources its funds from the share in the annual remittances of PAGCOR, ports and income of DFPC, as provided in the RA No. 9593. TPB manages its net assets/equity by establishing controls in disbursements and collection of fees and other sources of revenues. TPB monitors the status of its projects and regularly reports the utilization and disbursements of its funds.

30. ACCUMULATED SURPLUS

	Amount
Accumulated surplus, January 1, 2019 (As Restated)	483,457,252
Adjustments due to prior period errors:	
Unrecorded semi-expendable machinery and equipment expenses in CY 2002	(80,000)
Unrecorded depreciation expense in CY 2012	(1,182,293)
Over-recorded advertising, promotional and marketing expenses for CY 2012	205,601
Unrecorded advertising expenses in CY 2013	(293,733)
Unrecorded advertising expenses in CY 2014	(1,136,715)
Unrecorded advertising expenses in CY 2015	(1,029,369)
Unrecorded advertising expenses in CY 2016	(579,344)
Unrecorded payable settlements in CY 2016	65,425,658
Understated depreciation in CY 2017	(1,484,018)
Unrecorded advertising, promotional and marketing expenses for CY 2017	(5,977,430)
Unrecorded advertising, promotional and marketing expenses for CY 2018	(8,642,511)
Reversion of accounts payable outstanding for two (2) years or more	193,304,394
Accumulated Surplus, January 1, 2019 (As Restated)	**721,987,492**
Surplus/(Deficit) for 2019, as previously stated	957,651,885
Adjustments due to prior period errors:	
Overstated interest income	(44,138)
Unrecorded salaries and wages	(10,351)
Unrecorded other compensation	(144,702)
Unrecorded other personnel benefits	(85,800)
Unrecorded travelling expenses	(6,398,252)
Unrecorded training expenses	(890,000)
Unrecorded supplies and materials	(205,899)
Unrecorded utilities expenses	(101,277)
Unrecorded communication expenses	(470,400)
Unrecorded professional services	(97,500)
Unrecorded general services	(140,188)
Unrecorded repairs and maintenance	(11,560)
Unrecorded advertising, promotional and marketing expenses	(552,459,550)
Unrecorded other maintenance and operating costs	(639,185)
Unrecorded bank charges	(1,846)
Accumulated Surplus, December 31, 2019 (As restated)	**1,117,938,729**
Surplus for 2020	615,921,049
Adjustment: Reversion of Cash – Treasury, Special Account	(389,904,147)
Accumulated Surplus, December 31, 2020	**1,343,955,631**

The prior year's adjustments represent various unrecorded expenses due to late submission of liquidation reports by the Philippine Department of Tourism foreign/local offices. Prior period errors represent all the unaccrued expenses for CY 2019.

31. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for December 31, 2020 is the proposed Corporate Operating Budget (COB) for the year 2020 and is submitted to the Department of Budget and Management (DBM) for review/evaluation while the *final budget* is the amount as approved by DBM on 01 October 2020. The proposed/original COB is prepared considering: (a) the Agency's various programs, projects and activities in pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) actual expenses in previous years; and (d) effects of inflation. During the year, the Agency has received subsidy from DFPC in the amount of P155,300,059 in addition to the subsidy from the Special Account in the General Fund in the amount of P1,106,412,000.

Changes between the original and final budget are due to the following:

a. Reduction in the level of budget for Personnel Services due to over-provision for vacant positions.

b. Reduction in the level of budget for Maintenance and Other Operating Expenses based on Fiscal Years (FYs) 2018 and 2019 actual utilization, plus effects of inflation.

c. Material differences between the actual expenses as against the budget is noted particularly in the budget allocated for Maintenance and Other Operating Expenses (MOOE). The Coronavirus Disease 2019 (COVID-2019) pandemic has caused significant changes in the implementation of various projects/programs.

32. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

32.1 Revenue Regulation (RR) No. 15-2010

TPB has been regularly withholding taxes due from salaries and other benefits of its employees as well as on goods and services purchased. The amounts of taxes withheld and remitted to the BIR are as follows:

	Amount withheld	Amount remitted
On compensation	9,629,885	7,343,312
Expanded creditable income tax	13,525,380	4,556,859
VAT from suppliers and contractor/other percentage taxes	957,524	1,440,249
Total	**24,112,789**	**13,340,420**

As provided in the National Internal Revenue Code (NIRC) of 1997, as amended, and Section 57 of RA No. 9593, TPB is exempt from payment of corporate income tax.

33. COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) LAW, RA NO. 8291

TPB has been regularly deducting premiums from its employees and remitting the total amount withheld as well as the government share to the GSIS. The employees' and employer's share remitted to GSIS for CYs 2020 and 2019 were as follows:

	2020	2019
Employees' share	5,146,906	4,426,137
Employer's share	6,886,734	5,285,969
	12,033,640	**9,712,106**

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation in the financial statements of the balance of the Receivables account with carrying amount of P413.143 million as of December 31, 2020 was not established due to: (a) variances of P30.471 million and P27.008 million between the balances of the General Ledger (GL) and Subsidiary Ledgers (SLs) and the Status Report of Fund Transfers (SRFT) and SLs, respectively, of Due from National Government Agencies (NGAs) account which remained unreconciled at year end; and (b) discrepancies of P86.834 million between the balances per SLs and as confirmed by Implementing Agencies (IAs), contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

1.1. Paragraph 27 of IPSAS 1, provides as follows:

> *Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set-out in International Public Sector Accounting Standards (IPSASs). The application of IPSASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.*

1.2. Likewise, Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, provides:

> *Verifiability*
>
> 3.*26. Verifiability is the quality of information that helps assure users that the information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs – that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach a general consensus.*

BC 3.24. Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represent economic and other phenomena that it purports to represent. While closely linked to faithful representation, verifiability is identified as a separate qualitative characteristic because information may faithfully represent economic and other phenomena even though it cannot be verified with absolute certainty.

1.3. Audit of the Receivables account with carrying amount of P413,143,481 as of December 31, 2020 disclosed several deficiencies as discussed below.

Variances of P30.471 million and P27.008 million between the balances of GL and SLs and the SRFT and SLs, respectively, of Due from NGAs account

1.4. In the review of the records/reports for CY 2020 relative to Receivables account, the Audit Team noted that the relevant records, reports and schedule of TPB were not reconciled.

1.5. In CY 2020, the Accounting Division started to maintain an SL for each of the Philippine Department of Tourism (PDOT) or Tourism Attaché/Marketing Representatives (TAs/MRs) and other NGAs accounts totaling P296,965,240. However, said SLs balances were not reconciled with the GL balance of P327,436,492 or a variance of P30,471,252 (see Table 1).

Table 1 – Computation of the Variance between SLs and GL balances of the Due From NGAs account

Agency	Amount
SLs of Due from NGAs:	
PDOT Local (Regional Offices)	P 93,713,537
PDOT Foreign Offices	176,426,027
DOT (Head Office)	7,000,000
National Commission on Indigenous People	7,000,000
National Parks and Development Committee	2,333,866
NCRPO	491,910
Philippine General Hospital	9,999,900
Total	**P296,965,240**
General Ledger balance	*327,436,492*
Variance	**P 30,471,252**

1.6. Moreover, comparison of the balances of the SRFT with the SLs for Fund Transfers to PDOT offices and TAs/MRs showed a variance of P27,008,240, details presented in Table 2.

Table 2 - Variance between the SRFT and SLs balances

Account	Per SL	SRFT	Variance
PDOT Local	P 93,713,537	P 96,024,970	P(2,311,433)
PDOT Foreign Offices	176,426,027	147,106,355	29,319,673
Total	**P270,139,564**	**P243,131,325**	**P27,008,240**

1.7. Based on the SRFT, the following accounts of PDOT foreign offices had abnormal (negative) balances totaling P18,532,209: (a) Beijing - P596,915; (b) Shanghai - P962,561; (c) Tokyo - P8,137,417; (d) Osaka - P2,626,643; and (e) Taiwan - P6,208,673.

1.8. For check and balance, the SL and the SRFT must reconcile. As pointed out in the previous audit, the variance occurred since TPB did not maintain the SLs. It was only in CY 2020 that the Accounting Division started to prepare the SLs in compliance with the audit recommendation. In lieu of the SL, the Agency maintains the SRFT which provides data or information on the beginning balance, the transactions made (fund transfers and liquidations) in current and prior years for each PDOT and/or TAs/MRs.

1.9. As explained by the Accounting Division, they had difficulty in reconciling the balances between the SLs and SRFT since they have to trace back the records in prior years and coordinate with the then Tourism Attachés concerned.

1.10. In view of the variances noted between the GL, SLs and SRFT, the reliability and accuracy of the Receivables – Due from NGAs account could not be established.

Discrepancies of P86.834 million between the balances per SLs and as confirmed by IAs

1.11. To check the correctness of the recorded balances, the Audit Team sent confirmation letters to various PDOT Offices, TAs/MRs, other NGAs, LGUs and Government Owned and Controlled Corporations (GOCCs). Results of confirmation showed a variance of P86,833,748 between the SL of TPB and as confirmed by the IA, details are shown in Table 3.

Table 3 - Variance Between SLs and Amounts Confirmed by the IAs

Account	Per SL	Per Confirmation	Difference
Due from NGAs			
PDOT Korea	P28,388,613	P38,230,504	P(9,841,891)
PDOT Beijing	22,897,021	5,064,136	17,832,885
PDOT Shanghai	25,207,096	14,021,871	11,185,225
PDOT Tokyo	34,311,958	18,027,699	16,284,259
PDOT New York	23,327,642	3,421,330	19,906,312
PDOT Sydney	27,493,619	15,584,660	11,908,959
Department of Tourism	7,000,000	642,000	6,358,000
Sub-Total	*168,625,949*	*94,992,200*	*73,633,749*
Due from GOCCs			
Philippine Children's Medical Center (PCMC)	12,699,999	-	12,699,999
Duty Free Philippines Corporation (DFPC)	500,000	-	500,000
Sub-total	*13,199,999*	-	*13,199,999*
Grand Total	**P181,825,948**	**P94,992,200**	**P86,833,748**

1.12. Based on the replies received from the IAs, most of the variances were caused by liquidations made by the PDOTs Offices, TAs/MRs but were not recorded by TPB Head Office. The PDOT Offices/TAs/MRs claimed that the balances reflected in the confirmation letters have already been liquidated and the liquidation reports were already transmitted to TPB. Also, the IAs informed that they have already coordinated with the TPB Accounting Division when the latter sent demand letters, but have yet to receive a reconciliation report or updates on the variances.

1.13. Further, verification of the Due from GOCCs account disclosed the following:

a. Fund Transfer to PCMC was not supported with contract and Official Receipt, hence, the Audit Team could not perform other alternative procedures.

b. The Due from DFPC is a carried over balance from prior years and no supporting documents have been presented to the Audit Team, hence, the accuracy thereof was not substantiated.

1.14. The above noted deficiencies are the accumulated effects of prior years' errors caused by delayed recording of transactions and non-reconciliation of the GL, SLs and SRFT.

1.15. In view of the above deficiencies, the faithful representation in the financial statements of the balance of the Receivables account with carrying amount of P413.143 million as of December 31, 2020 was not established.

Other observations

1.16. Section 4.4 of COA Circular No. 94-013 requires the IAs to issue Official Receipt (OR) to acknowledge the receipt of funds from the Source Agency (SA). However, there were fund transfers to LGUs that were not supported with ORs, as presented in Table 4.

Table 4 – Fund Transfer without ORs

LGU	Reference	Amount
Aklan Province	DV No. 2020-10-1162	P10,000,000
City Government of Iloilo	DV No. 2020-10-1147	9,985,000
Provincial Government of Baguio	DV Nos. 2020-05-0530, 2020-09-0933, 2020-12-1566	16,995,839
Provincial Government of Bohol	DV Nos. 2020-09-0974, 2020-10-1052A, 2020-12-1417	23,124,180
Total		**P60,105,019**

1.17. According to the Accounting Division, the Project Officers who were authorized to release the check to the concerned LGU have not yet turned over the ORs to them.

1.18. It is worth mentioning that the Audit Team sent letters of confirmation to the concerned LGUs named in Table 5, however, as at audit date no reply was received.

1.19. **We recommended and Management agreed to instruct the Accounting Division to:**

a. **Reconcile the variances among the GL, SLs, SRFT and the record of the IAs and examine the liquidations reports from PDOT Offices/TAs/MRs and, if found valid, effect the necessary adjustments in the affected books, schedules and reports;**

b. **Record the financial transactions immediately to minimize if not totally eliminate the variances; and**

c. **Formally demand from the Project Officers the ORs issued by the IAs not submitted to the Accounting Division, and henceforth, require the concerned Project Officers to immediately turn over the ORs to substantiate the recording of the fund transfers in the books of accounts.**

2. Fund transfers totaling P208.664 million remained unliquidated despite the lapse of the period of implementation of the projects indicated in the Memoranda of Agreement (MOAs), resulting in unrecognized expenses in undetermined amount for Calendar Year (CY) 2020 and prior years, thereby overstating the Receivables and Accumulated Surplus/(Deficit) accounts and understating the expense account for the current year.

2.1. As of December 31, 2020, the unliquidated fund transfers to NGAs, GOCCs and LGUs totaled P437,060,194. Scrutiny of the various MOAs, schedules and reports disclosed that out of the outstanding balance, a total of P208,644,095 should have been liquidated considering the lapse of the period of implementation of the projects indicated in the MOAs, details in Table 5.

Table 5 - Completed Projects based on MOAs

	Implementation Year as Provided in the MOA		
NGAs	**Prior Year**	**CY 2020**	**Total**
Due from NGAs			
PDOT Offices/TAs/MRs*	P119,001,952	P47,959,097	P166,961,049
DOT (Head Office)	-	7,000,000	7,000,000
National Parks and Development Committee	-	2,333,866	2,333,866
Sub-Total	**119,001,952**	**57,292,963**	**176,294,915**
Due from LGUs			
City Government of Iloilo	-	9,985,000	9,985,000
Provincial Government of Baguio	-	9,010,000	9,010,000
Provincial Government of Bohol	-	13,374,180	13,374,180
Sub-Total	**-**	**32,369,180**	**32,369,180**
Grand Total	**119,001,952**	**P89,662,143**	**P208,664,095**

The above data is based on SRFT since it provides information on prior years' fund transfers and liquidations.

2.2. As can be gleaned from Table 4, the unliquidated fund transfers of P208,664,095 pertained to TPB's Projects, Activities and Programs (PAPs) that were supposedly completed as of CY 2020 and prior years. Considering that these PAPs are under Maintenance and Other Operating Expenses (MOOE), the utilized funds represent unrecognized expenses for the year these were incurred based on accrual accounting, thereby, understating the expense account and overstating the Accumulated Surplus/(Deficit) and Receivables accounts in undetermined amounts.

2.3. It was observed that since CY 2017 Annual Audit Report (AAR), TPB has been restating its financial statements in substantial amounts in view of the delayed submission of liquidation reports by the IAs.

2.4. Section 4.6 of COA Circular No. 94-013 dated December 13, 1994 provides that:

> *Within ten (10) days after the end of each month/end of the agreed period for the Project, the Implementing Agency (IA) shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the IA.*

2.5. The causes for the delayed liquidation of fund transfers by the IAs which resulted in the substantial adjustments in prior years' financial statements were the same as those noted in past years' AARs, summarized as follows:

a. Guidelines in the granting and liquidation of the fund transfers to the PDOT were not strictly observed. TPB has not strictly imposed the policy of no additional release or grant of fund transfers pending liquidation of previous balances. As per inquiry, this practice still exists due to exigency of the service and so as not to hamper the TPB's operation in fulfilling its mandate in marketing and promoting the Philippine Tourism locally and globally.

b. The funds transferred were directly received by the Regional and Foreign Offices and were not acknowledged nor reported to the DOT-Central Office (DOT-CO) Accountant. Hence, upon the grant of the fund transfer, DOT as the IA, did not issue any OR. Also, the liquidations were directly submitted to TPB Finance Department. These are not in accordance with Sections 4.4, 6.4 and 6.5 of COA Circular No. 94-013. It is emphasized that the funds should be coursed through the DOT-CO, acknowledged by and reported to the DOT-CO. One of the limitations of the current set-up was that TPB does not have administrative/supervisory function over the PDOT's and TAs/MRs. Thus, the TPB could not impose the withholding of their salaries, emoluments and benefits as well as to institute administrative sanctions against them for failing to liquidate the funds.

2.6. It is worth mentioning that the TPB and DOT, in the latter part of CY 2020, executed a Mother MOA (MMOA) dated December 8, 2020. The MMOA provides that fund transfers and liquidations of PDOT Offices/TAs/MRs shall be coursed through the DOT-CO. Pertinent provisions of the MMOA as regards the receipt and use of funds were mainly anchored on COA Circular No. 94-013 and would address the enumerated causes of the accumulation of the unliquidated fund transfers.

2.7. On the other hand, the increase in the accounts Due from LGUs and GOCCs is primarily due to various fund transfers, the implementation of which covers the latter part of CYs 2020 to 2021. Further, the Audit Team observed that no regular reconciliation nor a demand by TPB on a monthly basis for the submission of the RCIs and Reports of Disbursements by the concerned LGUs and GOCCs.

2.8. **We recommended and Management agreed to direct the Finance Department to:**

a. **Demand from the IAs the regular submission of the liquidation reports, consisting of Reports of Checks Issued and Report of Disbursements, etc. of the fund transfers to timely record the expenses incurred and fairly present the Due from NGAs, LGUs and GOCCs accounts in the financial statements; and**

b. **Henceforth, adhere to the provisions of the MMOA for future fund transfers to DOT and the guidelines on fund transfers as provided in COA Circular No. 94-013 dated December 13, 1994.**

3. **The faithful representation in the financial statements of the balance of Inventories account in the amount of P71.320 million was not established due to: (a) unreconciled variance of P15.680 million between the Annual Inventory of Promotional Materials and Giveaways of P52.186 million and the GL of the Other Supplies and Materials Inventory account of P67.866 million and no alternative audit procedure could be made to verify the causes of the variance in the absence of Supplies Ledger Cards (SLCs) and Stock Cards (SCs); and (b) non-submission of supporting documents on the two adjustments totaling P24.627 million, contrary to Paragraph 27 of IPSAS 1, Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Section 17, Chapter 8 of the Government Accounting Manual (GAM), Volume I.**

3.1. Paragraph 27 of IPSAS 1 provides as follows:

Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set-out in International Public Sector Accounting Standards (IPSASs).

The application of IPSASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

3.2. Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, provides:

Verifiability

3.*26. Verifiability is the quality of information that helps assure users that the information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs – that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach a general consensus.*

BC 3.24. Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represent economic and other phenomena that it purports to represent. While closely linked to faithful representation, verifiability is identified as a separate qualitative characteristic because information may faithfully represent economic and other phenomena even though it cannot be verified with absolute certainty.

3.3. Section 17, Chapter 8 of GAM, Volume I enumerated the required and prescribed reports, records and forms such as the SLC, SC, Requisition and Issue Slip (RIS), Report on Supplies and Materials Issued (RSMI) and Report of Physical Count on Inventories (RPCI). These forms, if properly maintained, prevent errors as well as detect losses at the earliest possible time. These would also support the assertions of Management particularly on the existence, completeness, and accuracy of the balance of the Inventories account presented in the financial statements.

Unreconciled variance of P15.680 million between the Annual Inventory of Promotional Materials and Giveaways and the GL of the Other Supplies and Materials Inventory account

3.4. Comparison of the physical count of Promotional Materials and Giveaways as reflected in the Annual Inventory of Promotional Materials and Giveaways vis-a-vis the corresponding GL of Other Supplies and Materials

Inventory account showed discrepancy/variance of P15.680 million [Per actual count P52.186 million less GL balance of P67.866 million]. In view of the absence of reconciliation between the records of the Accounting Division and the General Services Division, the said discrepancy/variance remained unreconciled at year-end. In addition, the discrepancy/variance could have been easily reconciled had the TPB personnel maintained SLC and SC, since these records present the detailed movements of each type of supplies.

3.5. In view of the unreconciled variance of P15.680 million between the balances per Annual Inventory of Promotional Materials and Giveaways and the GL as well as no alternative audit procedure could be made to determine the cause(s) of the variance in the absence of SLCs and SCs, the existence and accuracy of the balance of the Inventories account could not be ascertained.

Non-submission of supporting documents on the two adjustments totaling P24.627 million

3.6. Review of the GLs of accounts Office Supplies Inventory and Other Supplies and Materials Inventory showed debit adjustments amounting to P705,040 and P23,921,720, respectively or a total of P24.627 million. However, the Journal Entry Vouchers (JEVs) drawn for these adjustments were not supported with pertinent documents. Despite repeated verbal follow-ups, the same remained unsubmitted as at audit date since these were allegedly misplaced by the Records Custodian.

3.7. In view of the foregoing deficiencies, the faithful representation in the financial statements of the balance of Inventories account in the amount of P71.320 million was not established.

3.8. **We recommended and Management agreed to:**

a. **Direct the Accounting Division and the General Services Division (GSD) to reconcile the discrepancies of P15.680 million between the result of Physical Count and the GL balance of Other Supplies and Materials Inventory account.**

b. **Direct the Accounting Division to:**

b.1 **Maintain SLC for each kind or type inventory and regularly reconcile the same with the SC maintained by the GSD.**

b.2 **Submit the supporting documents of the adjustments amounting to P24.627 million.**

c. **Direct the GSD to maintain SCs and reconcile the same with the records of the Accounting Division.**

4. **The faithful representation in the financial statements of the balances of the Financial Liabilities and Other Payables accounts in the amounts of P242.065 million and P6.679 million, respectively, as of December 31, 2020 could not be established due to: (a) absence of delivery receipts, certificate of acceptance, and other related documents to ascertain that the goods/services were already delivered/rendered/completed and accepted to support the booking of the Accounts Payable (AP) of P198.289 million; (b) discrepancies totaling P1.746 million between the balances per GL and as confirmed by suppliers which remained unreconciled at year-end; and (c) unsubstantiated bank reconciling items totaling P4.997 million recorded under Other Payables account, contrary to Paragraph 27 of IPSAS 1 and Item 3.26 of the Conceptual Framework on the General Purpose Financial Reporting by Public Sector Entities.**

4.1. Paragraph 27 of IPSAS 1 requires that information, in order to be useful, should faithfully represent the transactions, other events, and conditions in accordance with the definition and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

4.2. Likewise, Item 3.26 of the same Conceptual Framework, provides:

Verifiability

3*.26. Verifiability is the quality of information that helps assure users that the information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs – that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach a general consensus.*

BC 3.24. Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represent economic and other phenomena that it purports to represent. While closely linked to faithful representation, verifiability is identified as a separate qualitative characteristic because information may faithfully represent economic and other phenomena even though it cannot be verified with absolute certainty.

Absence of delivery receipts, certificate of acceptance, and other related documents to ascertain that the goods/services were already delivered/rendered/completed and accepted to support the booking of the AP of P198.289 million

4.3. Item 6.1.2 of Department of Budget and Management (DBM) Circular No. 2013-16, dated December 23, 2013 provides:

> *Obligations, for which goods/services projects have not yet been delivered/rendered/completed by the Creditor and Accepted by the NGA/Operating Unit, shall not be recorded as AP at the end of year. These obligations shall only be recognized as AP on the date of delivery/rendition/completion and acceptance of the goods/services/projects, regardless of the year of incurrence of such obligation.*

4.4. Also, COA Circular No. 2020-02 on the "*Revised Chart of Accounts (2019)*" and COA-DBM Joint Circular No. 1, series of 2021 define AP or Due and Demandable Obligations as valid and legal obligations of NGAs/GOCCs for which goods/services/projects have been delivered/rendered/completed and accepted regardless of the year when the obligations were incurred.

4.5. In the examination of AP account, the Audit Team observed that the Accounting Division recognized a total of P198.289 million (Table 6) as AP the unliquidated obligations for CY 2020 as reflected in Budget and Financial Accountability Reports (BFAR) Form No. 3. The JEV related thereto was only supported by: (a) BFAR Form No. 3; (b) Budget Utilization Slip (BUS); (c) BUS and Unsigned Contracts; or (d) BUS, signed contracts and other documents. Despite various verbal requests and issuance of Audit Observation Memorandum, TPB was unable to submit the delivery receipts from suppliers, acceptance reports and/or similar documents to establish that the foods and services were already delivered/rendered/ completed and accepted.

Table 6 – Breakdown of Unliquidated Obligations recognized as AP

Supporting Documents	Amount
I. Included in BFAR Form No. 3 with no other Supporting Documents	P 88,544,911
II. BUS Only	15,698,906
III. BUS and Unsigned Contract	11,123,920
IV. BUS, Signed Contracts and Other Documents	82,920,988
Total	**P198,288,725**

4.6. Likewise, the Audit Team observed that the Budget Division had no supporting documents on the accounts reported as Due and Demandable Obligations/AP in BFAR Form No. 3. According to the Budget Division, the lists of obligations indicated in BFAR Form were not verified as to whether the goods/services/projects have been delivered/rendered/completed and accepted.

4.7. Moreover, the Audit Team observed that the Accounting and Budget Divisions did not reconcile their records, hence, there was a variance on the AP account of P96,146,554 [balance per BFAR of P332,630,023 less per books of P236,483,469] between the amount reported in the BFAR and per books.

Discrepancies totaling P1.746 million between the balances per GL and as confirmed by suppliers which remained unreconciled at year-end

4.8. Due to lack of supporting documents on the recorded APs, the Audit Team sent confirmation letters to various creditors. Thirteen (13) creditors responded of which, nine (9) yielded a variance totaling P1,745,709, as shown in Table 7.

Table 7 - Comparison of the AP per Books and Confirmation

Name	Books	Confirmation	Variance
PDOT-London	P 8,978,054	P 9,114,240	P (136,186)
PDOT-Korea	17,583,039	17,495,836	87,203
DOT - Region IX	703,500	31,416	672,084
DOT - Region XI	375,000	-	375,000
UP – Office of the Counselling and Guidance	1,545,000	-	1,545,000
LGU City of Davao	1,500,000	-	1,500,000
Private Corporation 1	831,261	115,000	716,261
Private Corporation 2	1,113,750	4,704,930	(3,591,180)
Private Corporation 3	577,527	-	577,527
Total	**P33,207,131**	**P31,461,422**	**P1,745,709**

Unsubstantiated bank reconciling items totaling P4.997 million recorded under Other Payables account

4.9. As reflected in the Bank Reconciliation Statements (BRSs), a total of P4,997,211 pertained to unsubstantiated reconciling items recorded as debit to Cash in Bank and credit to Other Payables - Undistributed Collections accounts. The undistributed collections were from CYs 2018 and 2020 in the amounts P3,323,766 and P1,673,445, respectively. In response to the Team's Audit Query Memorandum (AQM), the Finance Department informed that they are constantly coordinating with the Land Bank of the Philippines (LBP), the project officers, and the foreign offices to expedite the identification of the said bank credits so as necessary adjustments could be made in the books.

4.10. In prior year, it was recommended that TPB temporarily record the unidentified bank credits under Undistributed Collections account, as provided in the Revised Chart of Accounts, pending identification of their nature and purpose to fairly present the balance of the Cash and Cash Equivalents account in the financial statements. In CY 2020, adjustments were made on the aforesaid accounts. However, the said undistributed collections should be properly identified to fairly present the balances of the affected accounts.

4.11. It is emphasized that Paragraph 7 of IPSAS 1 defines liabilities as present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

4.12. In the absence of the documents to determine the nature of the bank credit memos/reconciling items, the Audit Team could not establish whether the said amounts fall under the definition of a liability. Also, no other alternative procedure could be conducted to determine the nature of these bank credit memos except to request from the concerned depository bank.

4.13. In view of the foregoing deficiencies, the faithful representation in the financial statements of the balances as of December 31, 2020 of the Financial Liabilities and Other Payables accounts in the amounts of P242.065 million and P6.679 million, respectively, could not be established.

4.14. **We recommended and Management agreed to:**

a. Direct the Accounting Division to:

a.1 Ensure that the goods/services/projects have been delivered/rendered/completed and accepted before recording the same under AP account and make necessary adjustments in the books for the booked up AP in the amount of P198.289 million;

a.2 Reconcile the variance totaling P1.746 million between the amount confirmed by suppliers/creditors and Accounting records; and

a.3 Make representation with the concerned depository bank for the details of the bank credit memos and make the necessary adjusting entries to correct the affected accounts.

b. Direct the Budget and Accounting Divisions to regularly reconcile their records and ensure that only those items that meet the definition of AP or Due and Demandable Obligations are included in BFAR Form No. 3 and recorded in the books.

5. Interest income from trust accounts invested with LBP in the amount of P3.844 million was not recognized in the books at year end resulting in the understatement of the Investments and Interest Income accounts.

5.1. Paragraph 7 of IPSAS 1 provides:

> *Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.*

5.2. Pursuant to Section 54 of Republic Act (RA) No. 9593, otherwise known as the "Tourism Act of 2009", a Tourism Promotions Trust shall be established from the proceeds of the sale or lease of the assets of the Philippine Tourism Authority (reorganized as the Tourism Infrastructure and Enterprise Zone Authority (TIEZA)). The investment earnings of which shall form part of the Tourism Promotions Fund. The Trust Fund shall be managed by a government-owned bank or financial institution selected by the TPB. Said bank or institution shall report the status and profitability of the trust on a quarterly basis to the Tourism Board, the Secretary, and the Joint Congressional Tourism Oversight Committee created under the Act. In addition, Item 1, Section 55 of the said RA provides that only the earnings from the said trust is available to finance the activities of TPB.

5.3. In CY 2020, TPB received from TIEZA the proceeds from sale of Hilaga Property in the amount of P877,585,277. In compliance with Section 54 of RA No. 9593, TPB entered into an Investment Management Agreement (IMA) with the LBP for the establishment of a Tourism Promotions Trust (TPT). The TPB recognized in the books the TPT as Restricted Fund (Asset account) and Trust Liabilities (Liability account).

5.4. Based on the Financial Reports of the TPT as of December 31, 2020 prepared by the LBP as Investment Manager, a total interest income of P3,843,838 was earned therefrom. Section 55 of RA No. 9593 expressly provides that the income derived from the TPT is for the operations of TPB, thus, the interest income should have been recognized in the books of TPB.

5.5. In view of the non-recognition of interest income from TPT, the Investments and Interest Income accounts were understated by P3,843,838 as of December 31, 2020.

5.6. **We recommended and Management agreed to direct the Accounting Division to recognize in the books the investment earnings in CY 2020 in the amount of P3.844 million and, henceforth, regularly monitor the movements of the Tourism Promotions Trust maintained with the LBP and recognize the interest income therefrom.**

B. NON-FINANCIAL

6. Funds received from various Source Agencies (SAs) totaling P216.724 million remained outstanding/unliquidated for more than one year, contrary to Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013 dated December 13, 1994.

6.1. The following are the important provisions of COA Circular No. 94-013:

> *4.6 Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA [Implementing Agency] shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the IA.*
>
> *6.4 Within five (5) days after the end of each month, the Accountable Officer (AO) shall prepare the RCI and the RD and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency;*
>
> *6.5 Within ten (10) days after receipt from the AO, the Accountant shall verify the Reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the originals of vouchers/payrolls and all supporting documents to the IA Auditor. The Accountant shall ensure that only expenses for the project are included in the Reports. He shall submit the original copy of the Reports to the SA (Attention: The SA Accountant).*
>
> *6.7 Return to the SA any unused balance and refund of disallowance upon completion of the project.*

6.2. Notwithstanding the above provisions, it was observed that funds received from various government agencies totaling P216,723,751 remained outstanding for more than two years.

6.3. The Accounting Division informed that these fund transfers were received in prior years and the then Accounting personnel were unable to compile the MOAs, RCIs and RDs, hence, the difficulty in verifying the underlying terms and conditions as well as in determining the status of the liquidation of these funds.

6.4. The inability of the TPB to liquidate the funds and return the excess funds to the concerned SAs, particularly those completed projects, is not only contrary to COA Circular No. 94-013 but also constrained the SAs to record in their books of accounts the expenses incurred by the TPB in the implementation of their PAPs as well as deprived them of unutilized funds, if any.

6.5. **We recommended and Management agreed to direct the Accounting Division to locate all the MOAs, RCIs and RDs to facilitate the liquidation or return of the excess funds to the concerned SAs.**

7. There was overstocking of promotional materials totaling P52.186 million in CY 2020, an increase of P15.399 million or 29.51 per cent from CY 2019, as these inventories could not be disposed of and it could not be justified how these materials would be distributed within the three-month period, contrary to Section 25, General Provisions of the Fiscal Year (FY) 2020 General Appropriations Act (GAA) and COA Circular No. 85-55-A, as updated in COA Circular No. 2012-003, and exposes the items to deterioration, damage and obsolescence.

7.1. Section 25, *Inventory of Supplies, Materials, Equipment Spare Parts,* General Provision of the FY 2020 GAA, provides the following:

> *The inventory of supplies, materials and equipment spare parts to be procured shall not exceed the agency's two-month requirement.*
>
> *The head of agencies may increase their inventory of critical supplies, materials and equipment spare parts to be procured in any of the following instances: (i) in anticipation of cost increases; (ii) necessitated by a national emergency; (iii) when there is an impending shortage; and (iv) when otherwise authorized in this Act or in the charter of the agency concerned. The purchase of stocks exceeding an agency's one-year requirement shall be subject to approval by the President of the Philippines, upon the joint recommendation of the Chairperson of the COA and the agency head concerned.*
>
> *Agencies may undertake emergency procurement of supplies, materials and equipment spare parts when there is an unforeseen contingency requiring immediate purchase subject to the conditions prescribed under R.A. No. 9184, its IRR and GPPB guidelines.*

7.2. Also, Item A, *Standards for Unnecessary Expenditures*, Section 3.2 of COA Circular No. 88-55-A states that, "*the volume of purchases must be enough to fill the three (3) month's requirements of the agency except when the circumstances or the exigencies of the service would demand otherwise."* The non-compliance with the three (3)-month requirement is deemed as one of the cases of "Excessive" Expenditure of Government Funds in COA Circular No. 2012-003.

7.3. In CY 2019, the Audit Team already called the attention of Management to the 44 per cent increase in the inventory account.

7.4. However, review of records for CY 2020 showed that there was an increase of P30,036,043.34 or 79 per cent in the account Other Supplies and Materials Inventory-Promotional Materials and Giveaways.

7.5. Based on the Annual Inventory of Promotional Materials and Giveaways as of December 31, 2020, of the total balance of P52,185,520 at year-end, 70.49 per cent or P36,786,522.06 were deliveries/purchases from CYs 2015 to 2019, while the remaining 29.51 per cent or P15,398,997.94 were procured in CY 2020, details in Table 8.

Table 8 – Breakdown of Promotional Materials and Giveaways

Year Delivered	Quantity	Amount
Undated	4,390	P 220,721
2015	1,372	16,190
2016	1,671	504,952
2017	2,092	373,609
2018	73,280	17,312,396
2019	473,512	18,358,654
Sub-total	*556,317*	*36,786,522*
2020		
January	57,405	4,156,298
February	1,118	832,910
June	9,681	2,706,005
September	64,890	311,472
November	13,861	7,392,313
Sub-total	*146,955*	*15,398,998*
Grand Total	**703,272**	**P52,185,520**

7.6. As can be gleaned from Table 8, there was no substantial reduction in the promotional materials in previous year's balance of P36,786,522 but despite thereof, TPB still procured various promotional materials in CY 2020 totaling P17,138,288. Of the said procurements, P15,398,998 or 90 per cent remained unissued/undistributed/unutilized as of December 31, 2020.

7.7. Examination of the procurements made in CY 2020 disclosed the following:

a. In the procurement planning, particularly in the determination of the quantities to be procured, TPB has not presented the basis of computing the estimates to be included in the Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP). Also, in the drafting of the final Purchase Request/Terms of Reference for the procurement, there were no available documents that will show how the quantities were arrived at (e.g., the names of recipients, confirmed delegates, or other sources to properly estimate the number of recipients);

b. Management approved the procurement of the additional promotional materials in CY 2020 even though TPB has substantial undistributed prior years' promotional materials and giveaways; and

c. There were neither documents nor detailed plans/actions to be taken in order to use these undistributed promotional materials for the benefit or furtherance of the purpose of TPB.

7.8. The overstocking of promotional materials totaling P52.186 million in CY 2020 is contrary to Section 25, General Provisions of FY 2020 GAA and COA Circular No. 85-55-A, as updated in COA Circular No. 2012-003, and exposes the items to deterioration, damage and obsolescence as well as wastage of government funds.

7.9. **We recommended and Management agreed to:**

a. Refrain from procuring promotional materials and giveaways until the undistributed/unutilized items have been distributed to intended recipients;

b. Exercise prudence in the procurement of promotional materials and giveaways to avoid overstocking and wastage of government funds; and

c. Henceforth, comply strictly with Section 25 of the General Provisions of the GAA, COA Circular Nos. 88-55-A and 2012-003, to avoid disallowance in audit.

GENDER AND DEVELOPMENT

8. The GAD budget of P58.070 million was underutilized as 50.39 per cent or P29.845 million only was spent for GAD related programs, projects and activities (PPAs). Likewise, the TPB has not conducted gender analysis in CY 2020, contrary to PCW Memorandum Circular Nos. 2018-04 and 2019-02.

8.1. Section 1 of Executive Order (EO) No. 273, entitled Approving and Adopting the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025, prescribes that *all government agencies, departments, bureaus, offices and instrumentalities, including GOCCs are directed to: (a) take appropriate steps to ensure the full implementation of the policies/strategies and programs/projects outlined in the Plan and (b) institutionalize GAD efforts in government by incorporating GAD concerns, as spelled out in the Plan in their planning, programming and budgeting processes.*

8.2. Relative thereto, the preparation and submission of the annual GPB and GAD Accomplishment Report (AR) shall be subject to the guidelines prescribed under Joint Circular No. 2012-01 issued by the PCW, National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM), as well as other guidelines on GAD that may be issued by the appropriate oversight bodies.

GAD budget of P58.070 million was underutilized as 50.39 per cent or P29.845 million only was spent for GAD related PPAs

8.3. Verification disclosed that the GPB of TPB for CY 2020 was P58,070,050 which is five (5) per cent of its DBM approved Corporate Operating Budget for FY 2020 of P1.161 billion. However, only P29.845 or 50.39 per cent was utilized for GAD related PPAs.

8.4. According to TPB Management, several GAD-related activities and projects were not implemented due to the Coronavirus Disease 2019 (COVID-19) pandemic which caused several lockdowns.

8.5. In view of the underutilization of the GPB, the gender related issues of the Agency were not fully addressed.

TPB has not conducted gender analysis in CY 2020, contrary to PCW Memorandum Circular Nos. 2018-04 and 2019-02

8.6. Further audit disclosed that although the TPB has sex disaggregated data, it has not conducted gender analysis for GPB CY 2020, which is not in accordance with the following provisions of PCW Memorandum Circular Nos. 2019-02 and 2018-04:

> Section 1.2.1.2 of the said PCW Memorandum Circular No. 2019-02
>
> *The identification of gender issues and GAD PAPs shall also be informed by the results of gender analysis and gender audit, particularly the application of the Gender Mainstreaming Evaluation Framework (GMEF) (Please refer to PCW Memorandum Circular 2016-6).*
>
> PCW Memorandum Circular 2018-04
>
> ***5.2.1.*** *The agency, led by the GFPS, shall conduct gender analysis based on the following:*
>
> ***5.2.1.1.*** *Results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework (GMEF), Harmonized Gender and Development Guidelines (HGDG), Participatory Gender Audit (PGA) and other gender analysis tools;*
>
> ***5.2.1.2****. Analysis of sex-disaggregated data and/or relevant information;*
>
> ***5.2.1.3.*** *Review of GAD-related mandates and policies (international and local);*

__5.2.1.4.__ Review of sectoral and Gender Equality and Women's Empowerment (GEWE) plans and GAD-related indicators; and

__5.2.1.5.__ Issues and recommendations gathered from consultations with women's groups/organizations working on the sector and other concerned stakeholders.

8.7. According to TPB, the training on gender analysis was implemented last 2020 and included in the GPB training plan. TPB has committed to include the gender analysis on its TPB GAD related activities and projects.

8.8. **We recommended and Management agreed to direct the GAD Focal Point System to: (a) maximize the utilization of the GAD funds to fully address the gender issues of the Agency; and (b) conduct gender analysis to aid in setting of GAD goals and preparation of the GPB.**

REMITTANCE OF MANDATORY CONTRIBUTIONS TO GSIS, PHILHEALTH AND PAG-IBIG FUND

9. The TPB is compliant with the timely remittances of contributions to the GSIS, PhilHealth, and Pag-IBIG pursuant to Section 14.1 of the Implementing Rules and Regulations (IRR) of GSIS Act of 1997; Circular No. 001, series of 2014 of the National Health Insurance Act of 2013; and Section 3 of Rule 7 of the IRR of Pag-IBIG Law, respectively.

SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

10. As of December 31, 2020, there were no unsettled audit charges. The details and status of the unsettled suspension and disallowance at year-end in the amount of P11.809 million and P1.641 billion, respectively, is presented in Table 9.

Table 9 – Details of Audit Suspension and Disallowance

Date	Number	Particulars	Amount	Status
Notice of Suspension (NS)				
September 5, 2020	NS No. SAGF-20-001(18)	Non-compliance with various provisions of Republic Act No. 9184 and its implementing Rules and Regulations, and other relevant laws, rules and regulations	P11,808,775.66	There were some documents submitted. For issuance of Notice of Disallowance.
Notice of Disallowance (ND)				
August 16, 2018	ND No. 18-001-DAP/GAA/ SAGF/ ECF/ TLA – (12-15)	Non-compliance with various provisions of Republic Act No. 9184 and its Implementing Rules and Regulations, other relevant laws, rules and regulations.	P1,560,730,725.99	Pending Appeal

Date	Number	Particulars	Amount	Status
September 7, 2020	ND No. 19-001 (2018)	Grant of financial sponsorship in the absence of complete supporting documents	80,640,172.80	Pending Appeal
Total			**P1,641,370,898.79**	

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 69 audit recommendations embodied in the 2019 Annual Audit Report (AAR), 53 were fully implemented, 15 were partially implemented, and one (1) was not implemented. Details are as follows:

Reference	Observations	Recommendations	Actions Taken/Comments
2019 AAR Audit Observation (AO) No. 1, Page 49	The balance of the Cash in Bank (CIB) account amounting to P1.709 billion as of December 31, 2019 was misstated in the aggregate amount of P4.294 million due to non-recording of Bank Credit and Debit Memoranda, as shown in the bank statements totaling P3.324 million and P0.970 million, respectively, contrary to Paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1, and Sections 5 and 6, Chapter 21, Government Accounting Manual (GAM), Volume I.	We recommended and Management agreed to:	
		a. Make another formal inquiry with the concerned depository bank and request for copies of the Bank CMs and DMs; and	Fully Implemented.
		b. Require the Accounting Department to:	
		i. Record the unidentified CMs in the books of accounts in accordance with the RCA for GOCCs prescribed under COA Circular No. 2015- 010 dated December 1, 2015;	Fully Implemented.
		ii. Make necessary adjustments once CMs and DMs are furnished by the bank; and	Fully Implemented.
		iii. Henceforth, conduct regular reconciliation of the CIB balances, scrutinize and investigate the reconciling items and record/adjust in the books all reconciling items found to be valid.	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
AO No. 2 Page 51	The faithful representation of the balance of the Inter-agency Receivables - Due from National Government Agencies (NGAs) account as of December 31, 2019 of P391.265 million was not established due to: (a) unreconciled variance of P23.801 million between the financial statements (FSs) and the Status Report of Fund Transfers (SRFT) (with Aging) as of December 31, 2019; (b) Fund Transfers (FTs) totaling P266.410 million remained unliquidated even if the purposes for which these were granted had been completed, resulting in unrecognized expenses in prior years of the used funds; and (c) supporting documents of adjustments totaling P11.648 million reflected in the General Journal (GJ) were not submitted to the Audit Team for verification, all in contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and pertinent provisions of COA Circular No. 94-013. Likewise, other deficiencies such as absence of and	We recommended and Management agreed to:	
		a. Demand from the implementing agencies the liquidation of the fund transfers as the purposes for which these were granted had already been completed; thus enabling the Accounting Department to recognize in the books the utilization from these fund transfers. Henceforth, require the Implementing Agencies to promptly liquidate the fund transfers to prevent accumulation of the outstanding balances on the Due from NGAs account.	Partially Implemented. Reiterated in Part II – Observation and Recommendation No. 1 of this Report.
		b. Instruct the Accounting Division to:	
		b.1 Continue the reconciliation of the noted variance among the FS, GL and SRFT and effect the necessary adjustment, if any;	Partially Implemented.
		b.2 Maintain SL for each PDOT Office/Regional Office and regularly reconcile the SLs with the GL;	Fully Implemented.
		b.3 Furnish the DOT Head Office Accounting with copies of the Journal Entry Vouchers (JEVs) on the grant	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	unsigned Memoranda of Agreement (MOAs), lack of budget, transactions commencing even prior to execution of the MOA and delayed transfer of funds were observed.	of the fund transfers and ensure that an OR is issued as acknowledgement of receipt of fund;	
		b.4 Stop receiving the liquidation reports directly from the PDOT Offices, as these must be coursed through the DOT Head Office Accounting and, coordinate with the latter for the proper handling of the transactions as prescribed in COA Circular No. 94-013; and	Fully Implemented.
		b.5 Conduct regular reconciliation of the balances among books, reports and records of the DOT Head Office Accounting; scrutinize and investigate the variances upon discovery, and effect necessary adjustments accordingly.	Partially Implemented.
		c. Follow up the draft MMOA and IMOA with the DOT, which incorporated the requirements of COA Circular No. 94-013 and addressed the procedural lapses in the grant and liquidation of Fund Transfers.	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		d. Coordinate with the DOT and other Implementing Agencies to ensure strict compliance/ implementation of the guidelines on fund transfers, specifically COA Circular No. 94-013 and the MOA.	Fully Implemented.
		e. Submit the documents and/justification on the other noted deficiencies.	Fully Implemented.
AO No. 3, Page 58	The correctness of the Allowance for Impairment amounting to P9.759 million on the Receivables account totaling P386.325 million as of December 31, 2019 could not be established since there were no aging schedules/documents to identify the impaired accounts and there was no assessment made in CY 2019 to determine if there were indications of impairment, contrary to Paragraphs 67 and 68 of IPSAS 29. Also, receivables totaling P2.435 million remained non-moving for more than one (1) year resulting in the doubtful collectability of the accounts.	We recommended and Management agreed to:	
		a. Develop a policy on the setting up of impairment of accounts pursuant to pertinent paragraphs of IPSAS 29; and	Fully Implemented.
		b. Direct the Accounting Department to:	
		b.1 Prepare Aging Schedule of Receivables to substantiate the recorded Allowance for Impairment amounting to P9.759 million and, henceforth determine if there are any indications of impairment on the accounts of TPB and accordingly provide necessary adjustment; and	Partially Implemented.
		b.2 Locate the supporting documents of the receivables outstanding for more	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		than one (1) year and reassess their collectability.	
AO No. 4, Page 60	The faithful representation of the balance of Financial Liabilities account in the financial statements totaling P443.459 million as of December 31, 2019 was not established due to: (a) non-submission of contracts and/or supporting documents evidencing the obligations totaling P32.310 million; and (b) non-submission of supporting documents in the reversal of abnormal balances totaling P189.637 million. Likewise, the account was misstated because: (a) various payments in prior years totaling P29.243 million were recorded as accumulated surplus instead as deductions in the Accounts Payable (A/P) account; and (b) non-accrual of various unpaid expenses aggregating P13.443 million. All these were contrary to Paragraph 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of	We recommended and Management agreed to:	
		a. Designate personnel that would permanently handle and monitor the Financial Liabilities account.	Fully Implemented.
		b. Direct the Accounting Department to:	
		b.1 Submit to the Audit Team the documents in support of the payable, if any, ensure that future transactions are corroborated with the needed documents, and adjust transactions that are proven to be with no contract or other pertinent supporting documents;	Fully Implemented.
		b.2 Determine the nature and cause of the abnormal balances in the A/P account and support with pertinent documents/ reports the adjustments made to close the abnormal balances totaling P189.637 million; otherwise, reverse the entry made until these are duly substantiated. Henceforth, ensure that transactions are	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	IPSAS 1.	supported with relevant documents before effecting adjustments in the books;	
		b.3 Make necessary adjustment on the various payments totaling P32.310 million which were recorded under Accumulated Surplus/(Deficit) account instead of A/P account. Henceforth, require the personnel in charge in the preparation and maintenance of SLs for A/P account to determine if an A/P was previously set-up to avoid misstatements in the recording of payments of payables; and	Fully Implemented.
		b.4 Accrue all unpaid expenses for the year to avoid restatement of the financial statements due to prior period adjustments.	Fully Implemented.
		c. Require all Departments to submit to the Accounting Department necessary documents on unpaid expenses incurred during the year to enable the latter to accrue the expenses before the closing of the books of accounts.	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
AO No. 5, Page 63	Funds received from Various Source Agencies (SAs), booked as Due to National Government Agencies (NGAs) and Government-Owned and Controlled Corporations (GOCCs) totaling P211.895 million and P4.829 million, respectively, remained outstanding/ unliquidated for more than a year due primarily to lapses in recording, monitoring, reporting, and/or liquidation contrary to Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013. Likewise, the fair presentation of the accounts was doubtful due to the absence of complete documents to support the balances of the said accounts contrary to Paragraph 27 of the IPSAS 1.	We recommended and Management agreed to:	
		a. Designate personnel that would be in-charge in the recording, monitoring and reporting of transactions related to the Due to NGAs and GOCCs accounts.	Fully Implemented.
		b. Direct the Accounting Department to:	Reiterated in Part II – Observation and Recommendation No. 6 of this Report.
		b.1 Compile properly all the MOAs, RCIs and RDs to support the accounts;	Partially Implemented.
		b.2 Identify the SAs, reconcile and return the unutilized fund balance, and provide the necessary adjusting entries, if any; and	Partially Implemented.
		b.3 Submit to the Audit Team the RCIs and RDs along with the original supporting documents.	Not Implemented.
		c. Adhere with the requirements of Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013 and Paragraph 27 of IPSAS 1.	Fully Implemented.
AO No. 6, Page 66	The faithful representation in the financial statements of the reported Net Surplus (net income) and Accumulated	We recommended that Management direct the Accounting Department to:	
		a. Assess the appropriateness of	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	Surplus/(Deficit) (ASD) as of December 31, 2019 amounting P957.652 million and P1.441 billion, respectively, could not be ascertained due to: (a) unrecorded expenses totaling P156.120 million; and (b) variance of P510.041 million in the Accounts Payable (A/P) account between per books and Due and Demandable Obligation under Budget and Financial Accountability Form (BFAR) Form No. 1, contrary to Paragraph 3.10 of the Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1.	recording the unrecorded CY 2019 expenses, and provide adjusting entries, if necessary;	
		b. Reconcile with the records of the Budget Officer to determine any unrecorded due and demandable obligations and provide adjusting entries, if any;	Fully Implemented.
		c. Issue a Memorandum directing all accountable officers to liquidate all cash advances before year-end; and	Fully Implemented.
		d. Perform cut-off tests in order to recognize all paid/liquidated expenses pertaining to the financial year.	Fully Implemented.
AO No. 7, Page 69	The unutilized and unobligated funds amounting to P246.133 million, which were earned/received in CY 2019, were not reverted to the National Treasury, contrary to Section 2 of Executive Order (EO) No. 91 dated September 9, 2019. Also, the Budget and Financial Accountability Reports (BFARs) were not submitted on time in violation of COA-DBM Joint Circular No. 2019-01.	We recommended and Management agreed to:	
		a. Revert to the National Treasury all the unutilized/unobligated funds under the SAGF;	Fully Implemented.
		b. Ensure that all received funds are utilized for the purposes these were given and delivered to their intended beneficiaries;	Fully Implemented.
		c. Direct the Finance Department to observe the deadline for submission of the BFARs; and	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		d. Henceforth, comply strictly with the provisions of EO No. 91 and COA-DBM Circular No. 2019 – 01.	Fully Implemented.
AO No. 8, Page 70	The reasonableness and propriety of the transactions/ disbursements totaling P51.979 million are doubtful due to: (a) incomplete documents supporting payment to suppliers totaling P48.311 million booked as Advertising, Promotional and Marketing Expenses (APME); and (b) procurements totaling P3.668 million which did not undergo public bidding or the usual process/mode of procurement, contrary to Section 4(6) of Presidential Decree (PD) No. 1445 and pertinent provisions of Republic Act (RA) No. 9184 and its 2016 Revised Implementing Rules and Regulations (RIRR).	We recommended that Management direct the Finance Department to	
		a. Submit the necessary documents, otherwise, a Notice of Suspension will be issued;	Partially Implemented.
		b. Issue a Memorandum containing an updated checklists of documentary requirements for every class of transaction;	Fully Implemented.
		c. Brief the Accountable Officers and Project Officers on all the required documents and reports needed to be submitted to the Finance Department in the processing of payments;	Fully Implemented.
		d. Ensure that all the necessary documents are attached or appropriately referenced before effecting payments;	Fully Implemented.
		e. Plan the procurements way ahead of time and give an allowance for unforeseen events that may require immediate procurements and avoid implementing projects that would hinder TPB to follow the proper procurement process;	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		and	
		f. Comply strictly with the provisions of PD No. 1445 and RA No. 9184 and its RIRR.	Fully Implemented.
AO No. 9 Page 72	TPB paid to its regular employees traditional bonuses, namely Educational Assistance (EA), Socio-Economic Assistance (SEA) and Christmas Incentive (CI) totaling P12.773 million (one month of gross salary including allowances for each bonus) on top of Mid-Year and Year-End bonuses despite adoption of the Modified Salary Schedule (MSS) under Executive Order (EO) 201, s. 2016, contrary to Paragraph 7, Governance Commission for GOCCs (GCG) Memorandum Circular (MC) No. 2017-03, "Implementing Rules and Regulations of EO No. 36, s. 2017". Likewise, payments were not budgeted since these were not included in the authorized benefits/ allowances enumerated in the Department of Budget and Management (DBM) approved Corporate Operating Budget (COB),	We recommended that TPB Management:	
		a. Stop the granting of these traditional bonuses;	Fully Implemented.
		b. Ensure that all DBM approved bonuses should be included in the budget under Personnel Services (PS) of the COB; and	Fully Implemented.
		c. Comply strictly with the provisions of GCG MC No. 2017-03, Implementing Rules and Regulations of EO No. 201, s. 2016.	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	particularly under Personnel Services (PS), contrary to Section 4(1) of Presidential Decree (PD) No. 1445. Consequently, the continuous grant of the said bonuses is irregular and unauthorized.		
AO No. 10, Page 76	The reasonableness of stocking promotional materials with an accumulated balance as of December 31, 2019 of P37.829 million, an increase of P11.670 million or 44 per cent from CY 2017, could not be established considering that TPB is not engage in trading and there was absence of documents to show how these materials will be utilized, contrary to Section 26 of the Fiscal Year (FY) 2019 General Appropriations Act (GAA).	We recommended and Management agreed to direct the Project Officers to:	Reiterated in Part II – Observation and Recommendation No. 7 of this Report.
		a. Avoid creating logos/designs for a specific event and dates so that the remaining promotional materials could be reused for other events;	Fully Implemented.
		b. Properly provide estimate to avoid procuring excessive promotional materials, over stocking/ procurement and possible wastage thereof; and	Partially Implemented.
		c. Devise a plan on how to use the unutilized promotional materials in order to prevent them from deteriorating as well as to decongest the storage area.	Partially Implemented.
AO No. 11, Page 78	There were procurements made through cash advances (CAs) totaling P380,784 that did not undergo the	We recommended that Management:	
		a. Direct the Project Officers and the approving authority to	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	requirements of Republic Act (RA) No. 9184 due to late approval of the project leading to time constraints in the bidding process, contrary to Section 10, Revised Implementing Rules and Regulations (RIRR) of RA No. 9184 and Section 2, COA Circular No. 97-002; thereby, depriving TPB of the opportunity to assess the certainty and reasonableness of the expenses incurred, and exposing TPB officials to various penalties and liabilities.	refrain from accepting and pursuing projects that are too near to the date of the event in order not to circumvent the provisions of RA No. 9184 and COA Circular No. 97-002;	
		b. Resort to disbursements through CAs only if payment through check is impractical; and	Fully Implemented.
		c. Comply strictly with the provisions of RA No. 9184 and COA Circular No. 97-02.	Fully Implemented.
AO No. 12, Page 80	Cash Advances (CAs) granted in CY 2017 to now resigned TPB personnel totaling P0.707 million remained unliquidated due to improper monitoring of CAs and lax compliance with the policy on immediate liquidation and withholding of salary in case of non-liquidation within the prescribed period, contrary to COA Circular No. 97-002 dated February 10, 1997 and Sections 89 of PD No. 1445.	We recommended and Management agreed to:	
		a. Direct the Accounting Department to study the possibility of offsetting the amount of leave credits and unclaimed salary of these personnel to their unliquidated CAs, if the demand letter is left unanswered;	Partially Implemented.
		b. Exact legal measures to demand the remaining amount, if any;	Partially Implemented.
		c. Designate an officer that would strictly monitor the CAs and be responsible for reminding the Head of the Accounting Department to issue the	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		necessary demand letter/withholding order for CAs due for liquidation; and	
		d. Comply strictly with the provisions of COA Circular No. 97-002 on the liquidation of CAs.	Fully Implemented.
AO No. 13, Page 82	The TPB Special Disbursing Officers (SDOs) do not maintain a separate cash book for their cash advances (CAs) as they were unaware of this requirement since the Accounting Department was unable to orient them of the relevant rules and regulations, contrary to COA Circular No. 97-002 dated February 10, 1997; thus, CAs granted and subsequently liquidated were not properly monitored by the concerned SDOs and reconciliation with the records of Accounting Department could not be performed.	We recommended and Management agreed to:	
		a. Direct the Finance Department to inform the SDOs of the requirements to maintain cashbook and conduct regular check and reconciliation of their records;	Fully Implemented.
		b. Include in the designation of the SDOs, among other requirements, the maintenance of cashbook; and	Fully Implemented.
		c. Require the SDOs to comply strictly with COA Circular No. 97- 002, on the maintenance of cashbook.	Fully Implemented.
AO No. 14, Page 83	Some Cash Advances (CAs) were made under the name of a Special Disbursing Officer (SDO) not related to the specific project, contrary to COA Circular No. 97-002 dated February 10, 1997.	We recommended and Management agreed to:	
		a. Designate SDOs who are involved with the project and refrain from transferring the accountability or allowing another to disburse the CAs; and	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		b. Expedite the hiring process and hire those who are qualified to have permanent positions, avoiding transfer of cash accountability from one who is not qualified to be bonded.	Partially Implemented.
AO No. 15, Page 84	The different funds (SAGF, Corporate Fund, Special Contingency Fund (SCF), and Trust Fund) are maintained in TPB's current account and Dollar account, exposing each fund to risk of improper use, fund juggling and difficulty in monitoring, thus not in accordance with sound internal control policy.	We recommended and Management agreed to maintain separate bank accounts for SAGF, SCF, Corporate Fund, and Trust Fund.	Fully Implemented.
AO No. 16, Page 85	The TPB was unable to allocate at least five (5) per cent of its Corporate Operating Budget (COB) for GAD programs, activities and projects (PAPs); the CY 2019 GAD Plan and Budget (GPB) was not endorsed by the PCW; and the GPB was partially implemented as the allocated amounts for GAD PAPs were not fully utilized, thereby defeating the intent of the programs to pursue gender equality and contrary to the provisions of Republic	We recommended and Management agreed to:	
		a. Allocate, through attribution, at least 5% of the total annual budget for the implementation of GAD-related activities as required under Section 36(a) of RA No. 9710 or the Magna Carta of Women and PCW-NEDA-DBM Joint Circular No. 2012-01;	Fully Implemented.
		b. Ensure that the GPB is duly approved by the TPB GFPS and COO and submitted to the PCW on time in compliance with PCW-	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	Act (RA) No. 9710 or the Magna Carta of Women and Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01.	NEDA-DBM Joint Circular No. 2012-01;	
		c. Direct the GAD TWG/Secretariat to designate personnel from among them who will be responsible in the monitoring of the GPB in case the person in-charge is not available;	Fully Implemented
		d. Direct the GFPS to plan and require the Heads of implementing department/offices to ensure that GAD PAPs are implemented as planned to attain the GAD objectives; and	Fully Implemented.
		e. Maximize the utilization of the GAD funds through the implementation of GAD-related programs and projects in order to attain the objective for which funds were provided.	Fully Implemented.
AO No. 17, Page 87	No taxes were withheld nor paid to the Bureau of Internal Revenue (BIR) in connection with the traditional bonuses since these were not properly declared, presented and included in the computation of tax due as can be observed from the Alphalist submitted to the BIR and in the Individual Tax Return (Form 2316) of TPB's personnel, contrary to Section 9 of Republic Act (RA) No. 10963 or	We recommended that Management require the concerned Accounting Division personnel to:	
		a. Attend seminars/training on the latest relevant laws, rules and regulations related to taxes on compensation;	Fully Implemented.
		b. File an amended Alphalists and Income Tax Return and pay the deficiency taxes;	Fully Implemented.
		c. Properly withhold taxes on allowances and	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	the TRAIN Law and Sections 68, 79, 80 and 83 of the National Internal Revenue Code (NIRC); thereby, depriving the National Government of additional funds to carry out its mandated purpose and exposing TPB and the personnel in-charge of withholding and payment of taxes to various penalties.	benefits paid to TPB personnel; and d. Comply strictly with Section 9 of RA No. 10963 and Sections 68, 79, 80, 83 of the NIRC.	 Fully Implemented.