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

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

August 28, 2020

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

Gentlemen/Mesdames:

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, 2019 and 2018.

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

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, 2019 and 2018 in view of the following:

1. 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) totalling 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 totalling 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.

2. 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 IPSAS 1.

3. The faithful representation in the financial statements of the reported Net Surplus (net income) and Accumulated Surplus/(Deficit) (ASD) as of December 31, 2019 amounting to 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 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.

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

1.1 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.

1.2 Instruct the Accounting Department to:

a. Continue the reconciliation of the noted variance among the FSs, General Ledger (GL) and SRFT and effect the necessary adjustment, if any;

b. Maintain Subsidiary Ledger (SL) for each Philippine Department of Tourism (PDOT) Office/Regional Office and regularly reconcile the SLs with the GL;

c. Furnish the DOT Head Office Accounting with copies of the Journal Entry Vouchers (JEVs) on the grant of the fund transfers and ensure that an Official Receipt (OR) is issued as acknowledgement of receipt of fund;

d. 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

e. 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.

1.3 Submit the documents and/justification on the noted deficiencies.

2.1. Designate personnel that would permanently handle and monitor the Financial Liabilities account.

2.2. Direct the Accounting Department to:

a. 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;

b. 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 supported with relevant documents before effecting adjustments in the books;

c. 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

d. Accrue all unpaid expenses for the year to avoid restatement of the financial statements due to prior period adjustments.

2.3. 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.

3.1. Direct the Accounting Department to:

a. Assess the appropriateness of 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;

c. Issue a Memorandum directing all accountable officers to liquidate all cash advances before year-end; and

d. Perform cut-off tests in order to recognize all paid/liquidated expenses pertaining to the financial year.

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

4. 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.

4.1. We recommended and Management agreed to:

a. Revert to the National Treasury all the unutilized/unobligated funds under the Special Account in the General Fund (SAGF);

b. Ensure that all received funds are utilized for the purposes these were given and delivered to their intended beneficiaries;

c. Direct the Finance Department to observe the deadline for submission of the BFARs; and

d. Henceforth, comply strictly with the provisions of EO No. 91 and COA-DBM Circular No. 2019 – 01.

5. 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).

5.1. We recommended that Management direct the Finance Department to:

a. Submit the necessary documents, otherwise, a Notice of Suspension will be issued;

b. Issue a Memorandum containing an updated checklists of documentary requirements for every class of transaction;

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;

d. Ensure that all the necessary documents are attached or appropriately referenced before effecting payments;

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; and

f. Comply strictly with the provisions of PD No. 1445 and RA No. 9184 and its RIRR.

6. 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 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), particularly under Personnel Services (PS), contrary to Section 4(1) of PD No. 1445. Consequently, the continuous grant of the said bonuses is irregular and unauthorized.

6.1 We recommended that TPB Management:

a. Stop the granting of these traditional bonuses;

b. Ensure that all DBM approved bonuses should be included in the budget under PS of the COB; and

c. Comply strictly with the provisions of GCG MC No. 2017-03, Implementing Rules and Regulations of EO No. 201, s. 2016.

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 August 26, 2020 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 that you and your staff extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

CLEOTILDE M. TUAZON
Director IV
Cluster Director

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

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

ANNUAL AUDIT REPORT

on the

TOURISM PROMOTIONS BOARD

For the Years Ended December 31, 2019 and 2018

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

The TPB is attached to the DOT 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, 2019, TPB had total personnel complement of 171 composed of 108 regular employees and 63 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

	2019	2018 (As Restated)	Increase (Decrease)
Assets	2,399,476,601	1,442,937,705	956,538,896
Liabilities	708,367,464	709,480,453	(1,112,989)
Net assets/equity	1,691,109,137	733,457,252	957,651,885

II. Comparative Financial Performance

	2019	2018 (As Restated)	Increase (Decrease)
Revenue	31,642,529	29,029,117	2,613,412
Current operating expenses	891,346,969	1,218,593,339	329,859,782
Surplus/(deficit) from current operations	(859,704,440)	(1,189,564,222)	329,859,782
Other non-operating income	2,202	14,471	(12,269)
Gains/losses	(1,880,418)	554,351	(2,434,769)
Assistance and subsidy	1,819,234,541	1,406,926,985	412,307,556
Net Surplus for the period	957,651,885	217,931,585	739,720,300

III. Comparison of 2019 Budget and Actual Amounts

	Approved COB	Actual	Difference Final budget vs Actual
Receipts	1,706,713,000	1,890,324,334	(183,611,334)
Payments:			
Personnel services	89,454,000	90,516,552	(1,062,552)
Maintenance and operating expenses	1,607,259,000	1,041,821,836	565,437,164
Capital expenditures	10,000,000	5,382,692	4,617,308
Net Receipts/(Payments)	-	752,603,254	(752,603,254)

SCOPE OF AUDIT

Our audit covered the examination, on a test basis of transactions and accounts of TPB for CY 2019 to enable us to express an opinion on the financial statements for the years ended December 31, 2019 and 2018 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). It was also conducted at determining 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 for the years ended December 31, 2019 and 2018 in view of the following:

1. 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) totalling 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 totalling 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.

2. 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 IPSAS 1.

3. The faithful representation in the financial statements of the reported Net Surplus (net income) and Accumulated 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 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.

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

1.1 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.

1.2 Instruct the Accounting Department to:

a. Continue the reconciliation of the noted variance among the FSs, General Ledger (GL) and SRFT and effect the necessary adjustment, if any;

b. Maintain Subsidiary Ledger (SL) for each Philippine DOT (PDOT) Office/Regional Office and regularly reconcile the SLs with the GL;

c. Furnish the DOT Head Office Accounting with copies of the Journal Entry Vouchers (JEVs) on the grant of the fund transfers and ensure that an Official Receipt (OR) is issued as acknowledgement of receipt of fund;

d. 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

e. 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.

1.3 Submit the documents and/justification on the noted deficiencies.

2.1. Designate personnel that would permanently handle and monitor the Financial Liabilities account.

2.2. Direct the Accounting Department to:

a. 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;

b. 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 supported with relevant documents before effecting adjustments in the books;

c. 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

d. Accrue all unpaid expenses for the year to avoid restatement of the financial statements due to prior period adjustments.

2.3. 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.

3.1. Direct the Accounting Department to:

a. Assess the appropriateness of 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;

c. Issue a Memorandum directing all accountable officers to liquidate all cash advances before year-end; and

d. Perform cut-off tests in order to recognize all paid/liquidated expenses pertaining to the financial year.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

4. 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.

4.1. We recommended and Management agreed to:

   a. Revert to the National Treasury all the unutilized/unobligated funds under the Special Account in the General Fund (SAGF);

   b. Ensure that all received funds are utilized for the purposes these were given and delivered to their intended beneficiaries;

   c. Direct the Finance Department to observe the deadline for submission of the BFARs; and

   d. Henceforth, comply strictly with the provisions of EO No. 91 and COA-DBM Circular No. 2019 – 01.

5. 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).

5.1. We recommended that Management direct the Finance Department to:

   a. Submit the necessary documents, otherwise, a Notice of Suspension will be issued;

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   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;

   d. Ensure that all the necessary documents are attached or appropriately referenced before effecting payments;

   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; and

f. Comply strictly with the provisions of PD No. 1445 and RA No. 9184 and its RIRR.

6. 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 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), particularly under Personnel Services (PS), contrary to Section 4(1) of PD No. 1445. Consequently, the continuous grant of the said bonuses is irregular and unauthorized.

6.1 We recommended that TPB Management:

a. Stop the granting of these traditional bonuses;

b. Ensure that all DBM approved bonuses should be included in the budget under PS of the COB; and

c. Comply strictly with the provisions of GCG MC No. 2017-03, Implementing Rules and Regulations of EO No. 201, s. 2016.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, CHARGES AND DISALLOWANCES

As of December 31, 2019, there were no unsettled audit charges. The details and status of the unsettled suspension and disallowance at year-end in the amount of 80.640 million and P1.561 billion, respectively is presented in Table 13, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 71 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 25 were fully implemented, 35 were partially implemented and 11 were not implemented. Details are presented in Part III of this Report.

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PART I - AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

THE 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 accompanying financial statements of the **Tourism Promotions Board (TPB)**, which comprise the statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, 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 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) totalling 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 totalling 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 IPSAS 1.

Also, 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 IPSAS 1.

Moreover, the faithful representation in the financial statements of the reported Net Surplus (net income) and Accumulated 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.

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

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.

Other Matters

In our report dated May 21, 2019, we expressed a modified opinion on the 2018 financial statements because the unsupported bank credits totaling P21.149 million were recognized in the books as Service and Business Income despite of non-submission of documents by the Payees and Project Officers to support the direct deposits made, thus the correctness of the total income for the year ended December 31, 2018 could not be established. Moreover, Advertising, Promotional, and Marketing Expenses (APME) account totalling P722.147 million included under Maintenance and Other Operating Expenses account as at December 31, 2018 was misstated due to transfers of funds to Implementing Agencies totalling P64.315 million were recognized as APME instead of

Due from NGAs and the set-up of previously reverted A/P amounting to P103.350 million representing expenditures in prior years was debited to APME account instead of adjustment to Accumulated Surplus/(Deficit) account.

There were diligent efforts made by TPB Management to locate and produce the documents to support the appropriateness of recording the transactions under Service and Business Income account. Likewise, adjustments were made by TPB to correct the deficiencies noted in calendar year (CY) 2018 APME, resulting in the restatement of 2018 balances. Accordingly, our present opinion on the 2018 financial statements, as presented herein is no longer modified concerning these matters.

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, 2019, 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

Atty. REYNALDO C. DARANG
Supervising Auditor
Audit Group E - Trading and Promotions Group
Cluster 6, Corporate Government Sector

August 26, 2020

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, 2019 and 2018**, 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 Internal 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

26 August 2020
Date Signed

JERSON C. TOMOLING
Acting Head, Finance Department

26 August 2020
Date Signed

MARIA ANTHONETTE VELASCO-ALLONES
Chief Operating Officer

26 August 2020
Date Signed

TOURISM PROMOTIONS BOARD
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,708,904,716	789,083,003
Other investments	7	14,947,259	264,828,591
Receivables - net	8	386,325,069	104,373,236
Inventories	9	39,997,929	28,454,550
Other current assets	10	9,342,902	14,440,080
Total Current Assets		**2,159,517,875**	**1,201,179,460**
Non-Current Assets			
Other investments	7	123,600	123,600
Property, plant and equipment - net	11	44,988,144	48,652,744
Intangible assets	12	2,278,275	1,793,275
Other non-currrent assets	13	192,568,707	191,188,626
Total Non-Current Assets		**239,958,726**	**241,758,245**
TOTAL ASSETS		**2,399,476,601**	**1,442,937,705**
LIABILITIES			
Current Liabilities			
Financial liabilities	14	443,459,195	438,652,001
Inter-agency payables	15	229,145,072	222,294,455
Trust liabilities	16	33,678,254	34,513,756
Other payables	17	2,084,943	14,020,241
Total Current Liabilities		**708,367,464**	**709,480,453**
TOTAL LIABILITIES		**708,367,464**	**709,480,453**
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		**1,691,109,137**	**733,457,252**
NET ASSETS/EQUITY			
Accumulated surplus/(deficit)	30	1,441,109,137	483,457,252
Government equity	29	250,000,000	250,000,000
TOTAL NET ASSETS/EQUITY		**1,691,109,137**	**733,457,252**

The notes on pages 11 to 48 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As Restated)
REVENUE			
Service and business income	18	31,642,529	29,029,117
TOTAL REVENUE		**31,642,529**	**29,029,117**
CURRENT OPERATING EXPENSES			
Personnel services	19	92,302,570	69,083,396
Maintenance and other operating expenses	20	788,866,280	1,139,693,536
Financial expenses	21	1,823,435	1,787,764
Non-cash expenses	22	8,354,684	8,028,643
TOTAL CURRENT OPERATING EXPENSES		**891,346,969**	**1,218,593,339**
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		**(859,704,440)**	**(1,189,564,222)**
Other non-operating income	23	2,202	14,471
Gains	24	-	659,631
Losses	25	(1,880,418)	(105,280)
DEFICIT BEFORE SUBSIDY		**(861,582,656)**	**(1,188,995,400)**
Net assistance/subsidy	26	1,819,234,541	1,406,926,985
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**957,651,885**	**217,931,585**

The notes on pages 11 to 48 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Accumulated surplus Note 30	Government equity Note 29	Total
BALANCE AT JANUARY 1, 2018	282,699,181	250,000,000	532,699,181
ADJUSTMENTS:			
Add/(Deduct):			
Change in accounting policies	175,737	-	175,737
Prior year's adjustments	(17,349,251)	-	(17,349,251)
Other adjustments	-	-	-
RESTATED BALANCE AT JANUARY 1, 2018	**265,525,667**	**250,000,000**	**515,525,667**
Changes in Net Assets/Equity for CY 2018			
Add/(Deduct):			
Surplus/(Deficit) for the period, as previously stated	550,667,769	-	550,667,769
Prior year's adjustments	(332,736,184)	-	(332,736,184)
Surplus/(Deficit) for the period, as restated	217,931,585	-	217,931,585
RESTATED BALANCE AT DECEMBER 31, 2018	**483,457,252**	**250,000,000**	**733,457,252**
Changes in Net Assets/Equity for CY 2018			
Add/(Deduct):			
Surplus/(Deficit) for the period	957,651,885	-	957,651,885
Other adjustments	-	-	-
BALANCE AT DECEMBER 31, 2018	**1,441,109,137**	**250,000,000**	**1,691,109,137**

The notes on pages 11 to 48 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of revenue		24,084,723	24,056,802
Receipt of assistance/subsidy		1,819,234,541	1,406,926,985
Receipt of Inter-agency fund transfers		-	88,813,600
Trust receipts		1,343,367	1,476,386
Other receipts		39,582,055	25,290,628
Total cash inflows		**1,884,244,686**	**1,546,564,401**
Adjustments		103,507,123	18,843,110
Adjustment Cash Inflows		**1,987,751,809**	**1,565,407,511**
Cash outflows			
Payment of expenses		543,042,818	570,398,435
Purchase of inventory		31,598,338	17,612,320
Grant of cash advance		42,645,201	33,431,676
Prepayments		7,757,170	1,500,000
Payment of accounts payable		171,800,429	186,367,390
Refund of deposits		317,250	624,716
Remittance of personnel benefit contributions and mandatory deductions		21,167,880	27,063,172
Release of inter-agency fund transfers		485,161,520	290,728,722
Other disbusement		13,400,356	50,301,404
Prior year adjustments		-	-
Total cash outflows		**1,316,890,962**	**1,178,027,835**
Net cash provided by (used in) operating activities		**670,860,847**	**387,379,676**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow			
Proceeds from sale/disposal of property, plant and equipment		72,400	242,899
Receipt of interest earned		5,919,491	284,941
Proceeds from matured investments		249,867,509	-
Total cash inflow		**255,859,400**	**527,840**
Cash outflow			
Purchase/Construction of property, plant and equipment		5,204,500	21,094,031
Total cash outflow		**5,204,500**	**21,094,031**
Net cash provided by (used in) investing activities		**250,654,900**	**(20,566,191)**
Net increase (decrease) in cash and cash equivalents		921,515,747	366,813,485
Effects of exchange rate changes on cash and cash equivalents		(1,694,034)	568,661
Cash and cash equivalents, January 1		789,083,003	421,700,857
Cash and cash equivalents, December 31	**6**	**1,708,904,716**	**789,083,003**

The notes on pages 11 to 48 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2019
(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget vs Actual
	Original	Final		
	Note 31			
RECEIPTS				
Service and business income	79,480,000	79,480,000	31,642,529	47,837,471
Assistance and subsidy	1,627,233,000	1,627,233,000	1,819,234,541	(192,001,541)
Gains	-	-	-	-
Other non-operating income	-	-	2,202	(2,202)
Refund of cash advances	-	-	11,902,073	(11,902,073)
Others	-	-	27,542,989	(27,542,989)
Total receipts	**1,706,713,000**	**1,706,713,000**	**1,890,324,334**	**(183,611,334)**
PAYMENTS				
Personnel services	89,454,000	89,454,000	90,516,552	(1,062,552)
Maintenance and other operating expenses	1,607,259,000	1,607,259,000	1,041,821,836	565,437,164
Capital outlay	10,000,000	10,000,000	5,382,692	4,617,308
Total payments	**1,706,713,000**	**1,706,713,000**	**1,137,721,080**	**568,991,920**
NET RECEIPTS/(PAYMENTS)	**-**	**-**	**752,603,254**	**(752,603,254)**

The notes on pages 11 to 48 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 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 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 August 26, 2020, as shown in the Statement of Management 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 (IPSAS)

The financial statements have been prepared in compliance with IPSAS, 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 PPSAS was renamed to IPSAS 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

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.

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

4.1 *Due to Change in Accounting Policy*

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000, which were issued to end-users in prior years, for a total of book value of P175,737, were reclassified and booked as adjustment in the accumulated surplus/(deficit). PPE accounts Office Equipment, Accumulated Depreciated-Office Equipment, Other Property, Plant and Equipment and Accumulated Depreciation-Other Property, Plant and Equipment were affected by such change.

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 level.

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	2019	2018 (As restated)
Financial assets			
Cash and cash equivalents	*6*	1,708,904,716	789,083,003
Other investments	*7*	14,947,259	264,828,591
Receivables – net	*8*	386,325,069	104,373,236
		2,110,177,044	**1,158,284,830**
Financial liabilities			
Financial liabilities	*14*	443,459,195	438,652,001
Inter-agency payables	*15*	229,145,072	222,294,455
Trust liabilities	*16*	33,678,254	34,513,756
		706,282,521	**695,460,212**

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. **Credit risk exposure**

The table below shows the gross maximum exposure to credit risk of the TPB as of the years ended December 31, 2019 and 2018, without considering the effects of credit risk mitigation techniques.

	Note	2019	2018 (As restated)
Financial assets			
Cash and cash equivalents	*6*	1,708,904,716	789,083,003
Other investments	*7*	14,947,259	264,828,591
Receivables	*8*	386,325,069	104,373,236
		2,110,177,044	**1,158,284,830**

*Receivables at net of allowance for impairment amounting to P9,758,994 for the years ended December 31, 2019 and 2018, 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 thru 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 another 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, 2019 is disclosed under Notes 8.

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. **Management of liquidity risk**

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, 2019.

As at December 31, 2019	Within 1 Year	1 – 5 Years	Over 5 Years	Total
Financial liabilities	443,459,195	-	-	443,459,195
Inter-agency payables	12,421,321	216,723,751	-	229,145,072
Trust liabilities	3,683,854	29,994,400	-	33,678,254
Other Payables	2,084,943	-	-	2,084,943
Total	461,649,313	246,718,151	-	708,367,464

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.

c. **<u>Management of market risk</u>**

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 the Management of the TPB, with summaries to the Audit Committee and Senior Management of the TPB.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018
Cash in bank	1,708,809,716	788,788,001
Cash on hand	95,000	295,002
	1,708,904,716	789,083,003

The Cash in bank account includes the balances of: (a) Special Contingency Fund for 2018 in the amount of P184 million; (b) Trust Liability Accounts Fund; (c) Foreign Currency – Savings Dollar Account converted at P50.744 closing rate; and (d) other cash balance for use in the usual course of operation.

7. OTHER INVESTMENTS

This account consists of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Investments in time deposits	14,947,259	-	14,947,259	264,828,591	-	264,828,591
Other investments – investments in stocks	-	123,600	123,600	-	123,600	123,600
	14,947,259	123,600	15,070,859	264,828,591	123,600	264,952,191

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 at an interest rate of approximately 1.25 per cent semi-annually or 2.5 per cent per annum.

Financial assets – investment in time deposits	2019	2018
Beginning balance as at January 1	264,828,591	262,392,164
Less: Matured time deposits	250,000,000	-
Add: Interest earned	118,668	2,436,427
Balance as at December 31	14,947,259	264,828,591

7.2 Other investments – investment in stocks

This account pertains to investment in securities of service enterprises which 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:

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Loans and receivables accounts						
Interest receivables	61,249	-	61,249	-	-	-
Subtotal – Loans and receivables account	61,249	-	61,249	-	-	-
Inter-agency receivables						
Due from NGAs	391,264,817	-	391,264,817	108,148,173	-	108,148,173
Due from LGUs	2,324,153	-	2,324,153	2,000,000	-	2,000,000
Due from GOCCs	2,133,031	-	2,133,031	2,133,031	-	2,133,031
Subtotal –Inter-agency receivables	395,722,001	-	395,722,001	112,281,204	-	112,281,204
Other receivables						
Due from officers and employees	176,056	-	176,056	176,056	-	176,056
Due from NGOs/ POs	-	-	-	1,550,213	-	1,550,213
Other receivables	124,757	-	124,757	124,757	-	124,757
Subtotal – Other receivables	300,813	-	300,813	1,851,026	-	1,851,026
Total Receivables	396,084,063	-	396,084,063	114,132,230	-	114,132,230
Less: Allowance for impairment-Receivables	(9,758,994)	-	(9,758,994)	(9,758,994)	-	(9,758,994)
	386,325,069		386,325,069	104,373,236		104,373,236

8.1 Loans and receivable accounts – interest receivables

This account represents accrued interest receivables from deposits in High Yield Savings Account with a short-term maturity of six (6) months and rolled-over upon maturity.

8.2 Inter-agency receivables

8.2.1 Due from national government agencies (NGAs)

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

This account also includes receivables from the Department of Foreign Affairs (DFA) and the DOT amounting to P4,200,000 each representing unpaid annual contributions from other government agencies represented in the PCVC-Board of 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 appropriated. The Board of Directors approved the writing off of the receivables from DOT and the DFA but still needs the submission of approved budgets of these two (2) agencies to prove that there were no appropriations provided for the annual contributions, as advised by the COA Resident Auditor. Once the documents required are complied with, the request for write off shall be forwarded to the COA.

8.2.2 Due from local government units (LGUs)

Due from local government unit represents financial assistance/sponsorship granted to City of Bacoor relative to the project "*Musiko 2017*".

8.2.3 Due from government corporations

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

8.3 Other receivables

8.3.1 Due from officers and employees

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

8.3.2 Other receivables

Other receivables represent over payment made to various suppliers.

8.4 Aging analysis of receivables as at December 31, 2019

	Not Past	Past Due		
	Due	< 30 days	> 60 days	Total
Loans and receivables				
Interest receivables	61,249	-	-	61,249
Inter-agency receivables:				
Due from NGAs	88,639,826	-	302,624,991	391,264,817
Due from LGUs	-	-	2,324,153	2,324,153
Due from GOCCs	-	-	2,133,031	2,133,031
Sub - total – Inter-agency receivables	88,639,826	-	307,082,175	395,722,001
Other receivables:				
Due from officers and employees	-	-	176,056	176,056
Due from NGOs/ POs	-	-	-	-
Other receivables	-	-	124,757	124,757
Sub- total – Other receivables	-	-	300,813	300,813
	88,701,075	-	307,382,988	396,084,063
Less: Allowance for impairment	-	-	(9,758,994)	(9,758,994)
	88,701,075	-	297,623,994	386,325,069

Due from NGAs consist 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 are 30 and 45 days, respectively.

9. INVENTORIES

	2019		2018 (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	2,295,107	-	2,613,566	-
Additions/acquisitions during the year	5,271,288	-	3,632,523	-
Expensed during the year except write-down	(5,398,337)	-	(3,950,982)	-
Other adjustments	-	-	-	-
Carrying amount, December 31	2,168,058	-	2,295,107	-
Other Supplies and Material Inventory				
Carrying amount, January 1	26,159,443	-	5,250,146	-
Additions/acquisitions during the year	41,839,758	-	40,367,475	-
Expensed during the year except write-down	(30,169,330)	-	(19,458,178)	-
Carrying amount, December 31	37,829,871	-	26,159,443	-
Semi-Expendables Inventory				
Carrying amount, January 1	-	-	-	-
Additions/acquisitions during the year	235,635	-	-	-
Expensed during the year except write-down	(235,635)	-	-	-
Other adjustments	-	-	-	-
Carrying amount, December 31	-	-	-	-
	39,997,929	-	28,454,550	-

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

10. OTHER CURRENT ASSETS

This account consists of the following:

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Advances:						
Advances to officers and employees	1,805,437	-	1,805,437	30,798	-	30,798
Advances to contractors	-	-	-	9,922,500	-	9,922,500
Sub- total – Advances	1,805,437	-	1,805,437	9,953,298	-	9,953,298
Prepayments:						
Prepaid Rent	28,722		28,722			
Prepaid insurance	16,015	-	16,015	-	-	-
Other prepayments	4,500,875	-	4,500,875	1,500,000	-	1,500,000
Sub- total – Prepayments	4,545,612	-	4,545,612	1,500,000	-	1,500,000
Deposits:						
Guaranty deposits	2,991,853	-	2,991,853	2,986,782	-	2,986,782
Sub- total – Deposits	2,991,853	-	2,991,853	2,986,782	-	2,986,782
	9,342,902	-	9,342,902	14,440,080	-	14,440,080

Prepaid insurance pertains to the unexpired portion as of December 31, 2019 of Government Service Insurance System (GSIS) insurance premiums paid for vehicles.

Other prepayment pertains to the consumable deposit to the Department of Budget and Management (DBM) - Procurement Service relative to the procurement of 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, 2019

	Not Past	Past Due		
	Due	< 30 days	> 60 days	Total
Advances to officers and employees	1,043,166	-	762,271	1,805,437
	1,043,166	-	762,271	1,805,437

11. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

As at December 31, 2018 (As restated)

	Buildings and other structures	Office equipment	Info. & Com. Tech. & equipment	Furniture & fixtures	books	Motor vehicles	Other property, plant & equipment	Total
Carrying amount, January 1, 2018	13,356,150	10,392,125	3,578,805	758,324	6,445	7,506,935	297,196	35,895,980
Additions/Acquisitions	1,815,245	6,601,264	8,879,916	806,882	-	3,042,160	-	21,145,467
Total	15,171,395	16,993,389	12,458,721	1,565,206	6,445	10,549,095	297,196	57,041,447
Disposals	-	(491,439)		(123,130)	-	(195,753)	-	(810,322)
Depreciation	(431,185)	(3,890,547)	(2,261,943)	(117,012)	-	(1,300,569)	(27,387)	(8,028,643)
Impairment loss	-	-	-	-	-	-		
Adjustment- accumulated depreciation	-	352,532	-	110,817	-	-	(13,087)	450,262
Carrying amount, December 31, 2018	14,740,210	12,963,935	10,196,778	1,435,881	6,445	9,052,773	256,722	48,652,744
Gross cost	23,989,753	26,990,759	14,502,707	1,991,622	64,450	15,483,802	657,900	83,680,993
Less: Accumulated depreciation	(9,249,543)	(14.026,824)	(4,305,929)	(555,741)	(58,005)	(6,431,029)	(401,178)	(35,028,249)
Carrying amount, December 31, 2018	14,740,210	12,963,935	10,196,778	1,435,881	6,445	9,052,773	256,722	48,652,744

As at December 31, 2019

	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	14,740,210	12,963,935	10,196,778	-	1,435,881	6,445	9,052,773	256,722	48,652,744
Additions/Acquisitions	15,000	2,104,274	283,726	-	541,100	-	2,327,000	-	5,399,100
Total	14,755,210	15,068,209	10,480,504	-	1,976,981	6,445	11,379,773	256,722	53,991,844
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- Reclassification	-	(5,755,378)	6,033,806	64,540	(630,780)	-	-	(197,188)	(485,000)
Carrying amount, December 31, 2019	14,298,279	5,713,840	13,861,151	64,540	1,160,896	6,445	9,882,993	-	44,988,144
Gross cost	24,004,753	11,267,081	33,610,079	98,178	1,328,327	64,450	16,895,851	-	87,268,719
Less: Accumulated depreciation	(9,706,474)	(5,553,241)	(19,748,928)	(33,638)	(167,431)	(58,005)	(7,012,858)	-	(42,280,575)
Carrying amount, December 31, 2019	14,298,279	5,713,840	13,861,151	64,540	1,160,896	6,445	9,882,993	-	44,988,144

12. INTANGIBLE ASSETS

	2019	2018 (As restated)
Carrying amount, January 1	1,793,275	1,793,275
Additions – adjustment	485,000	-
Carrying amount, December 31	2,278,275	1,793,275

Intangible assets include the computer software acquired in the year 2016 and the payroll software purchased in 2014 which was initially recorded as Office Equipment and reclassified as Computer Software in December 2019.

Intangible asset is 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:

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Restricted fund	-	190,572,405	190,572,405	-	189,029,555	189,029,555
Other assets	-	1,996,302	1,996,302	-	2,159,071	2,159,071
	-	192,568,707	192,568,707	-	191,188,626	191,188,626

13.1 Restricted fund

Restricted Fund consists of Special Contingency Fund set-up in prior years which is deposited in a High-Yield Savings Account with LBP. The total amount is composed of principal and accrued interest earned from deposit.

13.2 Other assets

Other Assets consist of donated assets from the DOT.

14. FINANCIAL LIABILITIES

This account consists of the following:

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Payables	443,290,879	-	443,290,879	438,483,685	-	438,483,685
Tax refunds payable	168,316	-	168,316	168,316	-	168,316
	443,459,195	-	443,459,195	438,652,001	-	438,652,001

14.1 Payables

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	437,847,274	-	437,847,274	434,041,009	-	434,041,009
Due to officers and employees	5,443,605	-	5,443,605	4,442,676	-	4,442,676
	443,290,879	-	443,290,879	438,483,685	-	438,483,685

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

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Tax refunds payable	168,316	-	168,316	168,316	-	168,316
	168,316	-	168,316	168,316	-	168,316

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, 2019

	< 30 days	< 90 days	<360 days	> 360 days	Total
Accounts payable	174,081,836	4,744,153	78,190	258,943,095	437,847,274
Due to officers and employees	183,748	201,347	615,833	4,442,677	5,443,605
Tax refunds payable	-	-	-	168,316	168,316
	174,265,584	4,945,500	694,023	263,554,088	443,459,195

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Due to GSIS	527,524	-	527,524	582,693	-	582,693
Due to BIR	10,039,609	-	10,039,609	4,011,384	-	4,011,384
Due to PhilHealth	30,269	-	30,269	84,990	-	84,990
Due to Pag-IBIG	1,823,919	-	1,823,919	891,637	-	891,637
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
	229,145,072	-	229,145,072	222,294,455	-	222,294,455

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

	2019			2018 (As restated)		
	Current	Non-current	Total	Current	Non-current	Total
Guaranty/security deposits payable	33,678,254	-	33,678,254	34,513,756	-	34,513,756
	33,678,254	-	33,678,254	34,513,756	-	34,513,756

Guaranty/Security Deposits Payable account represents 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

The Other Payables account in the amount of P2,084,943 as of December 31, 2019 consists of collections from bid documents and mobile loans, insular insurance fee and loan deducted from the payroll of regular employees and to be remitted the following year.

18. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2019	2018 (As restated)
Service income:		
Registration fees	21,183,234	21,589,974
Total service income	21,183,234	21,589,974
Business income:		
Other business income	2,215,892	753,500
Share in the profit from the joint	-	846,792
Interest income	8,183,656	5,838,851
Fines and penalties	59,747	-
Total business income	10,459,295	7,439,143
	31,642,529	29,029,117

19. PERSONNEL SERVICES

This line item consists of:

	2019	2018 (As restated)
Salaries and wages	48,131,971	40,862,874
Other compensation	27,198,570	18,757,313
Personnel benefit contributions	5,885,657	6,107,486
Other personnel benefits	11,086,372	3,355,723
	92,302,570	69,083,396

19.1 Salaries and wages

	2019	2018 (As restated)
Salaries and wages – regular	48,131,971	40,862,874
	48,131,971	40,862,874

19.2 Other compensation

	2019	2018 (As restated)
Personnel economic relief allowance	2,081,697	2,063,714
Representation allowance	1,775,980	1,711,018
Transportation allowance	1,087,500	1,026,518
Clothing/uniform allowance	576,000	540,000
Productivity incentive allowance	507,000	-
Honoraria	-	240,587
Overtime and night pay	2,995,364	1,696,731
Year-end bonus	4,055,841	3,383,054
Cash gift	498,000	428,000
Other bonuses and allowances	13,621,188	7,667,691
	27,198,570	18,757,313

19.3 Personnel benefit contributions

	2019	2018 (As restated)
Retirement and life insurance premiums	5,181.169	5,473,553
Pag-IBIG contributions	114,900	102,900
PhilHealth contributions	484,788	427,033
Employees compensation insurance premiums	104,800	104,000
	5,885,657	6,107,486

19.4 Other personnel benefits

	2019	2018 (As restated)
Terminal leave benefits	3,416,325	8,210
Other personnel benefits	7,670,047	3,347,513
	11,086,372	3,355,723

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 9 per cent of the basic salaries of regular government employees. Total contributions to GSIS amounted to P9,712,106 broken down as follows: employees' share – P4,426,137 and government share – P5,285,969.

20. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of:

	2019	2018 (As restated)
Traveling expenses	29,702,482	27,972,477
Training and scholarship expenses	9,364,895	5,370,017
Supplies and materials expenses	8,821,596	6,233,186
Utility expenses	2,258,322	2,355,675
Communication expenses	3,412,512	4,373,105
Confidential, intelligence and extraordinary expenses	355,987	206,108
Professional services	24,498,575	24,325,184
General services	9,531,111	8,859,586
Repairs and maintenance	2,491,276	1,872,702
Taxes, insurance premiums and other fees	3,622,007	2,390,071
Other maintenance and operating expenses	694,807,517	1,055,735,425
	788,866,280	1,139,693,536

20.1 Traveling expenses

	2019	2018 (As restated)
Traveling expenses-local	3,443,647	6,410,258
Traveling expenses-foreign	26,258,835	21,562,219
	29,702,482	27,972,477

20.2 Training and scholarship expenses

	2019	2018 (As restated)
Training expenses	9,364,895	5,370,017
	9,364,895	5,370,017

20.3 Supplies and materials expenses

	2019	2018 (As restated)
Office supplies expenses	4,860,317	3,668,543
Drugs and medicines expense	20,805	5,945
Fuel, oil and lubricants expenses	1,225,876	1,049,279
Semi-expendable machinery and equipment expenses	116,543	-
Semi-expendable information and communications and technology equipment expenses	454,120	-
Semi-expendable other machinery & equipment expenses	57,624	49,839
Semi-expendable furniture, fixtures and books expenses	459,410	298,363
Other supplies and materials expenses	1,626,901	1,161,217
	8,821,596	6,233,186

20.4 Utility expenses

	2019	2018 (As restated)
Electricity expenses	2,226,330	2,185,386
Water expenses	31,992	170,289
	2,258,322	2,355,675

20.5 Communication expenses

	2019	2018 (As restated)
Telephone expenses	1,710,240	2,065,795
Internet subscription expenses	1,702,272	2,307,310
	3,412,512	4,373,105

20.6 Confidential, intelligence and extraordinary expenses

	2019	2018 (As restated)
Extraordinary and miscellaneous expenses	355,987	206,108
	355,987	206,108

20.7 Professional services

	2019	2018 (As restated)
Auditing services	2,618,114	44,650
Consultancy services	2,490,701	2,766,223
Other professional services	19,389,760	21,514,311
	24,498,575	24,325,184

20.8 General services

	2019	2018 (As restated)
Security services	5,890,851	5,376,530
Janitorial services	3,640,260	3,483,056
	9,531,111	8,859,586

20.9 Repairs and maintenance

	2019	2018 (As restated)
Repairs and maintenance-transportation equipment	1,531,356	1,522,991
Repairs and maintenance-buildings and other structures	573,344	80,390
Repairs and maintenance-machinery and equipment	334,625	98,976
Repairs and maintenance-furniture and fixtures	51,951	170,345
	2,491,276	1,872,702

20.10 Taxes, insurance premiums and other fees

	2019	2018 (As restated)
Taxes, duties and licenses	1,798,913	1,515,772
Insurance expenses	1,495,188	716,935
Fidelity bond premiums	327,906	157,364
	3,622,007	2,390,071

20.11 Other maintenance and operating expenses

	2019	2018 (As restated)
Donations	-	7,500
Rent/lease expenses	7,466,623	7,259,246
Transportation and delivery expenses	1,873,517	3,068,458
Representation expenses	2,461,150	2,856,270
Printing and publication expenses	1,128	46,812
Advertising, promotional and marketing expenses	676,724,527	1,038,152,774
Subscription expenses	2,030,830	459,132
Postage and courier services	623,122	680,216
Membership dues and contributions to organizations	2,348,178	1,432,959
Board of Directors Allowance and Other Benefits	426,300	199,000
Other maintenance and operating expenses	852,142	1,213,058
	694,807,517	1,055,375,425

21. FINANCIAL EXPENSES

	2019	2018 (As restated)
Bank charges	1,823,435	1,787,764
	1,823,435	1,787,764

22. NON-CASH EXPENSES

This account consists of the following:

	2019	2018 (As restated)
Depreciation-buildings and other structures	456,931	431,185
Depreciation-machinery and equipment	6,247,631	6,152,490
Depreciation-transportation equipment	185,304	117,012
Depreciation-furniture, fixtures and books	1,405,284	1,300,569
Depreciation-other property plant and equipment	59,534	27,387
	8,354,684	8,028,643

23. OTHER NON-OPERATING INCOME

	2019	2018 (As restated)
Miscellaneous income	2,202	14,471
	2,202	14,471

24. GAINS

This line item consists of the following:

	2019	2018 (As restated)
Gain on foreign exchange (FOREX)	-	629,484
Gain on sale of property, plant and equipment	-	30,147
	-	659,631

25. LOSSES

This line item consists of the following:

	2019	2018 (As restated)
Loss on foreign exchange (FOREX)	1,694,034	60,823
Loss on sale of property, plant and equipment	186,384	44,457
	1,880,418	105,280

26. ASSISTANCE/SUBSIDY

	2019	2018 (As restated)
Subsidy income from SAGF	1,819,234,541	1,353,341,368
Subsidy income from other national government agencies	-	53,585,617
	1,819,234,541	1,406,926,985

Total subsidy income received during the year 2019 in the amount of P1,819,234,541 consist of subsidy from Special Account in the General Fund (SAGF) – PAGCOR and Ports. As mandated under RA No. 9593, the Tourism Promotions Board is entitled to a 70 per cent of 50 per cent of share of Duty Free Philippines Corporation's (DFPC) annual net income. TPB has not received its share from DFPC's net income for FY 2019 as of December 31, 2019.

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

	2019	2018
Surplus for the year	957,651,885	217,931,585
Depreciation	8,354,684	8,028,643
Losses	1,880,418	105,280
Gains	-	(659,631)
Interest earned categorized as investing activity	(5,905,669)	(284,941)
Prior period adjustments	-	332,736,184
(Increase) Decrease in investments	-	(2,436,427)
(Increase) Decrease in receivables	(281,951,833)	(170,687,372)
Increase in inventories	(11,543,379)	(18,077,779)
(Increase) Decrease in other assets less adjustment due to disposal	3,554,329	(7,036,903)
Increase (Decrease) in financial liabilities less unpaid PPE acquisition	4,740,595	(23,547,050)
Increase (Decrease) in inter-agency payables	6,850,617	80,426,627
Increase (Decrease) in trust liabilities	(835,502)	856,490
Increase (Decrease) in other payables	(11,935,298)	(29,975,030)
Net cash flows from operating activities	670,860,847	387,379,676

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, DFA, DTI, DOTr and two from the Private Sectors, all are appointed by the President of the Philippines.

28.3 Key management personnel compensation

The Chairman and the members of the TPB Board receives per diems for every board meeting attended. The aggregate remuneration for the Chief Operating Officer, inclusive of the remuneration pay of officers who are/were permanently appointed and acted as COO throughout 2019 and are/were part of the organization's structure/plantilla and on a fulltime equivalent basis received the following:

	Aggregate remuneration
Salaries and wages	2,102,208
Other compensation	1,187,020
Total personnel benefits	3,289,228

29. GOVERNMENT EQUITY

This account consists of authorized capital which is fully subscribed by the national government per RA No. 9593 (Tourism Act of 2009). The amount includes releases by DBM in the total amount of P250 million increased by the interest accrued thereon from its deposit to a High-Yield Savings Account in Land Bank of the Philippines.

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 thru the programs to be undertaken for the promotion of the Philippines domestically and internationally as a global destination.

The total government equity has been intact with TPB's high-earning deposit accounts, deriving additional funds from interest accruing thereon.

TPB derives its funds from the share in the annual remittances of PAGCOR, ports and income of Duty Free Philippines Corporation, as per RA No. 9593. TPB manages its net assets/equity by establishing controls in collection of fees and other sources of revenues, monitoring status of projects and periodic reporting of funds and disbursements while maintaining compliance to rules, regulations, and other legal requirements.

30. ACCUMULATED SURPLUS

	Amount
Accumulated surplus, January 1, 2018	282,699,181
Effect of changes in accounting policy	175,737
Adjustments due to prior period errors:	
Unrecorded advertising, promotional and marketing expenses for CY 2017	(46,538,083)
Unrecorded advertising, promotional and marketing expenses for CY 2014	(2,001,943)
Overstated advertising, promotional and marketing expenses for CY 2017	32,952,555
Understated depreciation-motor vehicle for CY 2017	(1,761,780)
Accumulated Surplus, January 1, 2018 (Restated)	265,525,667
Surplus/(Deficit) for 2018, as previously stated	550,667,769
Adjustments due to prior period errors:	
Overstated registration fees	(802,755)
Unrecorded salaries and wages	(29,826)
Unrecorded other compensation	(3,333)
Unrecorded other personnel benefits	(184,610)
Unrecorded travelling expenses	(11,273,235)
Unrecorded training expenses	(678,675)
Net overstatement in supplies and materials	1,915,301
Unrecorded utilities expenses	(435,299)

	Amount
Unrecorded communication expenses	(571,583)
Unrecorded professional services	(793,525)
Unrecorded general services	(1,249,379)
Unrecorded other maintenance and operating expenses	(2,353,180)
Unrecorded advertising, promotional and marketing expenses	(316,365,848)
Overstated depreciation expense - machinery and equipment	89,763
Accumulated Surplus, December 31, 2018 as restated	483,457,252
Surplus for 2019	957,651,885
Accumulated Surplus, December 31, 2019	1,441,109,137

Change in accounting policy in accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000, which were issued to end-users in prior years, for a total of book value of P175,737, were reclassified and booked as adjustment in the accumulated surplus/(deficit). Prior year's adjustments represent various unrecorded expenses due to late submission of liquidation reports of Philippine Department of Tourism foreign/local offices. Prior period errors represent all the unrecorded accruals of CY 2018.

31. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for December 31, 2019 is the proposed Corporate Operating Budget (COB) for the year 2019 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 November 6, 2019. The proposed/original COB is prepared considering: (1) the agency's various programs, projects and activities in the pursuance of its mandate; (2) the projected revenues and other sources of income to finance and support these programs; (3) actual expenses for previous years; and (4) effects of inflation. During the year, the Agency has not received subsidy or any fund transfer from other agencies aside from the subsidy from the Special Account in the General Fund.

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 2017 actual utilization after considering the effects of inflation.

c. Material differences between the actual expenses as against the budget is noted particularly in the budged allocated for Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE). A lot of factors contributed to its low utilization rate namely: cancellation of various projects/programs due to time constraints and change in management policies.

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. Likewise, such amounts withheld are remitted to the BIR. Total tax withheld and remitted in 2019 are as follows:

	Amount withheld	Amount remitted
On compensation	5,503,076	4,877,576
Expanded creditable income tax	4,959,589	4,556,859
VAT from suppliers and contractor/other percentage taxes	1,576,088	1,440,249
Total	12,038,753	10,874,684

As provided in 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 for CYs 2019 and 2018 were as follows:

	2019	2018
Employees' share	4,426,137	2,894,978
Employer's share	5,285,969	5,473,553
	9,712,106	8,368,531

PART II - OBSERVATIONS AND RECOMMENDATIONS

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. 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.

1.1. Paragraph 27, International Public Sector Accounting Standard (IPSAS) 1, Presentation of Financial Statements, provides that, "*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs*."

1.2. Sections 5 and 6, Chapter 21, GAM, Volume I, provide:

> *Sec. 5. Preparation of the Bank Reconciliation Statement. The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.*
>
> *Sec. 6. Recognition of Adjustments. The Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.*

1.3. Also, the Revised Chart of Accounts (RCA) for Government-Owned and Controlled Corporations (GOCCs) prescribed under COA Circular No. 2015-010 dated December 1, 2015 provides an account in which a GOCC may temporarily lodge unidentified collections, to wit:

a. Account Title : Undistributed Collections
b. Account Number : 29999040
c. Description : This account is used to recognize temporary pool of collection of members' contribution and loan amortizations of paying members and other unidentified collections of government corporations as of the close of the transaction date.

1.4. In Calendar Year (CY) 2018, the Audit Team, through the Annual Audit Report (AAR), called the attention of Management for the unbooked Bank

Credit Memoranda (CMs) and Debit Memoranda (DMs) and recommended the following, among others:

a. Require the Accounting Department to record the unidentified CMs in the books of accounts in accordance with the RCA for Government-Owned and Controlled Corporations prescribed under COA Circular No. 2015-010 dated December 1, 2015; and

b. Follow up with the concerned depository bank the TPB's inquiry and the status of the request for copies of the Bank CMs and DMs. Consequently, require the Accounting Department to make necessary adjustments once CMs and DMs are furnished by the bank.

1.5. However, test of bank reconciliation showed that TPB was unable to record and determine the nature of all the unbooked CMs and DMs noted in CY 2018, except for one CM in the amount of P1.829 million. As of December 31, 2019, the unrecorded CMs and DMs totaled P3,323,766 and P970,119, respectively. Details are presented in Table 1.

Table 1 –Unrecorded CMs and DMs
As of December 31, 2019

Particulars	Date	Amount
CM Remit	01/12/2018	P1,829,221
CM Remit	07/23/2018	255,938
CM Payroll	08/02/2018	1,166,248
CM Payroll	08/02/2018	34,169
CM Ord	08/08/2018	1,837
CM Ord	09/17/2018	36,353
Total CM		3,323,766
DM Ord	09/07/2018	29,653
DM Ord	09/11/2018	39,110
DM Ord	09/13/2018	241,009
DM Ord	09/14/2018	125,382
DM Ord	09/19/2018	60,962
DM Ord	09/07/2018	8,556
DM Ord	03/11/2019	9,000
DM Ord	06/07/2019	451,141
DM Ord	07/11/2019	4,306
DM Ord	07/18/2019	1,000
Total DM		970,119
Aggregate amount		**P4,293,885**

1.6. As can be gleaned from Table 1, majority of the CMs and DMs were from CY 2018 (as early as January 2018) and only four (4) were from CY 2019. Despite the passage of more than a year from the time the Audit Team called the attention of Management, the issue remained and the recommendations were not implemented because the depository bank, even after several follow ups, had not responded, thus resulting in TPB not being able to record these unbooked CMs and DMs.

1.7. Since the Undistributed Collections account has been provided under the RCA, there is no reason for the TPB not to record the unidentified deposits/collections in order to reflect the accurate balance of the CIB account in the books. The fact that deposits were made to the TPB's depository bank by its clients; it is the responsibility of the Accounting Department to recognize said transactions in the books to ensure that financial data/reports are reliable, accurate, and timely.

1.8. The non-adjustment/recognition of the reconciling items representing unidentified CMs and DMs resulted in the misstatement of the CIB and other related accounts in the aggregate amount of P4.294 million.

1.9. **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

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; (ii) make necessary adjustments once CMs and DMs are furnished by the bank; and (iii) henceforth, to 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.

1.10. In addition, Management informed the Audit Team that a memorandum will be sent to all departments informing them that any payment to be made through direct deposit in a TPB servicing bank, will require the prior issuance of a Statement of Account and Oder of Payment from the Finance Department. Likewise, an order of payment shall also be required for refund of unliquidated funds so that the Accounting Division could easily reconcile any unidentified CM recorded/reflected in the Bank statement.

1.11. As a rejoinder, the Audit Team acknowledged the commitment of Management to implement the recommendations to prevent the recurrence of the observation. Their full compliance, however, will be monitored in CY 2020 audit.

2. 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) totalling 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 totalling 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 unsigned Memoranda of Agreement (MOAs), lack of budget, transactions commencing even prior to execution of the MOA and delayed transfer of funds were observed.

2.1. 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.*

2.2. In CY 2018, the Audit Team called the attention of TPB Management on the build-up of unliquidated FTs and various unreconciled discrepancies in accounting records and reports and recommended various measures to address them. Despite the recommendations, the noted deficiencies remained as hereunder presented.

Unreconciled variance of P23.801 million between the FS and SRFT (with Aging) as of December 31, 2019

2.3. Records should be reliable in order to have a sound decision on matters requiring Management action. However, in reviewing the records for CY 2019, the Audit Team noted that the relevant records, reports and schedule of TPB were not reconciled.

2.4. Presented below are the details of the variances.

I – Difference between FS and GL Balance

FS Balance	P391,264,817
GL Balance	389,931,591
Difference	P 1,333,226

II – Difference between FS and SRFT Balance

FS Balance	P391,264,817
SRFT Balance	415,065,828
Difference	P 23,801,011

2.5. SRFT provided data on the balance of each Philippine Department of Tourism (PDOT) or Tourism Attache/Marketing Representatives (TA/MR), hence used by the Team in the audit of fund transfers to every PDOT or TA/MR. As at audit date, there was still no SLs maintained per PDOT or TA/MR.

2.6. The Audit Team took note of the continuous effort of the Accounting Department to account the unreconciled balances and commend them in materially reducing the variance from P60.419 million in CY 2018 to P23.801 million in CY 2019. However, the remaining variance is still material thus needs to be accounted since these records and reports will be utilized in the reconciliation procedures with and in demanding for the liquidation of the unliquidated FTs of PDOT or TA/MR.

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

2.7. Section 4.6 of COA Circular No. 94-013 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.*

2.8. Sections 6.4 and 6.5 of COA Circular No. 94-013, also provide that:

> *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).*

2.9. As provided in the MOA between TPB (1st Party) and PDOT (2nd Party), as DOT representative, the following procedural guidelines shall be observed by the Parties with regard to the FTs for the implementation of the TPB programs and activities locally and abroad:

TPB

a. Authorize the release and transfer to 2nd Party the funds for the implementation of the project;

b. Authorize the 2nd party to utilize the funds transferred exclusively for the implementation of the project;

c. Furnish the Accounting Department of the DOT Head Office (HO) of the pertinent documents relative to the fund transfer to the 2nd Party, with the corresponding profile and brief description of the fund transferred; and

d. Issue Official Receipt (OR) evidencing refund/unexpected/unutilized balance of fund transfer remitted by the 2nd Party, if any.

PDOT

e. Issue an OR or Acknowledgement Receipt immediately upon receipt of the funds transferred;

f. Treat the funds transferred as trust liability, maintain a separate subsidiary ledger and ensure that the funds are properly utilized for the purpose for which these were intended;

g. Provide Certification from DOT-HO Accountant that funds previously transferred, if there is any, have been liquidated and accounted for in the books for the processing of fund transfer; and

h. Within 45 days after the conclusion of the Project/Event, the 2nd Party shall prepare a duly approved Report of Fund Transfer/s and Report of disbursements and shall submit them with all supporting disbursement vouchers, payrolls, and other pertinent documents to the DOT-HO Accounting.

2.10. The TPB, through the Land Bank of the Philippines (LBP), directly remits funds to the accounts of PDOT TAs/MRs for projects. Per Board Resolution No. 77, TPB has authorized the Chief Operating Officer (COO) to enter into a MOA with the Department of Tourism through the PDOT TAs/MRs. The MOA allows PDOT TA/MRs to sign all contracts in behalf of TPB to implement the Marketing and Promotions projects and to dispose the fund as directed subject to compliance with existing accounting and auditing rules and regulations.

2.11. In CY 2018, the Audit Team pointed out various deficiencies in the grant and liquidation of FTs and weakness in the internal control. Presented below are the summary of the observations:

a. TPB did not strictly implement the restrictions and guidelines in granting the fund transfers to DOT and the subsequent liquidation;

b. The funds transferred were directly received by the Regional and Foreign Offices and were not acknowledged and reported to the DOT-Head Office (HO) Accountant. Upon the grant of the fund transfer, DOT as the implementing agency did not issue OR, contrary to Section 4.4 of COA Circular No. 94-013 and the provision of the MOA;

c. The liquidations are directly submitted to TPB Finance Department, which is inconsistent with Sections 6.4 and 6.5 of COA Circular No. 94-013;

d. TPB does not have a standard operating procedure for the project implementation coursed through other government agencies and other implementing parties; and

e. No sufficient monitoring mechanism is in place from the Marketing and Promotions of TPB on the implementation of the projects coursed through the DOT.

2.12. In CY 2019, the Finance Department undertook reconciliation procedures, demanded liquidation of the past due fund transfers, and was in constant coordination meetings with DOT HO. As a result, the unliquidated FTs in CY 2018 of P307.313 million was reduced to P148.655 million or a decrease of P158.658 million or equivalent to 51.63 per cent thereof.

2.13. However, in CY 2019, FTs aggregating P266.410 million for the implementation of TPB's Projects, Activities and Programs (PAPs), remained unliquidated. Considering that these PAPs were under Maintenance and Other Operating Expenses (MOOE), the used funds would represent unrecognized expenses for the year, thereby understating expenses and overstating net surplus (net income) and accumulated surplus/deficit accounts.

2.14. The reasons for the build-up of unliquidated FTs in CY 2019 are the same reasons as noted in CY 2018 audit, specifically:

a. TPB did not strictly implement the restrictions and guidelines in granting the fund transfers to DOT and the subsequent liquidation thereof.

a.1. In CY 2019, the Audit Team noted that in the sampled grants of FTs totalling P184.271 million to various PDOTs or TA/MRs, these do not have the following attachments: (i) Certification by the Accountant that funds previously transferred to the Implementing Agency (IA) has been liquidated, and accounted for in the books; (ii) Copy of the MOA/ Trust Agreement and/or (iii) Copy of the OR issued by the IA to the Source Agency acknowledging receipt of FTs (*See Annex A, Part IV for details*).

a.2. This procedural lapse contributed to the build-up of CY 2019 unliquidated fund transfers. Had TPB strictly implemented the policy on non-grant of FT pending liquidation of previous balances, the build-up would have been avoided. In the reply of Management in various Audit Query Memoranda (AQMs), the Audit Team noted that they continued to transfer funds to PDOTs or TAs/MRs in the exigency of the service so as not to hamper the TPB operation in fulfilling its mandate in marketing and promoting the Philippine Tourism locally and globally. While the Audit Team does not disagree with Management's prerogative on this matter, but due to absence of added controls to address the identified deficiencies, the pursuit of PAPs despite non-liquidation of prior FTs resulted in the build-up of unliquidated/outstanding balances of fund transfers.

b. Funds transferred were directly received by the DOT Regional and Foreign Offices and were not acknowledged and reported to the DOT-HO Accountant. Upon the grant of the fund transfer, DOT as the implementing agency did not issue an OR. Also, the liquidations were directly submitted to TPB Finance Department. These are all contrary to Sections 4.4, 6.4 and 6.5 of COA Circular No. 94-013.

b.1. The funds should be coursed through the DOT-Head Office (DOT-HO), acknowledged by and reported to the DOT-HO Accounting Department. The purpose of which is for the DOT-HO to properly exercise its administrative/supervisory power over PDOTs or TAs/MRs to compel/demand the implementation of the projects and their subsequent liquidations of the FTs.

b.2. One of the limitations of the current set-up was that TPB did not have an administrative/supervisory function over the PDOTs and TAs/MRs. Thus, the temporary and coercive remedy such as withholding of their salaries, emoluments and benefits and other disciplinary actions for failing to properly liquidate the funds could not be performed.

b.3. In CY 2019, there were various meetings conducted between the TPB and DOT in order to come up with a revised Mother Memorandum of Agreement (MMOA) and Implementing MOA (IMOA) incorporating the provisions of COA Circular No. 94-013 and addressing the noted procedural lapses. The Audit Team was advised that a copy of the draft MMOA and IMOA was already forwarded to DOT-HO. However as at audit date, there was no approval from the DOT.

2.15. Thus, in view of the current set-up of continuous grant of funds to various PDOTs or TAs/MRs in order to not hamper the delivery of the services, and the absence/limited administrative power and supervision over them, same would result in the unavoidable build up of unliquidated fund transfers.

Supporting documents of adjustments totalling P11.648 million reflected in the GJ were not submitted to the Audit Team

2.16. In the review of the adjusting entries made to Due from NGAs account, the Audit Team noted that there were entries totalling P11.648 million (made in September and November amounting to P7.464 million and P4.184 million, respectively) that were not supported with schedules and/or other documents. Hence, the Audit Team could not verify the correctness and appropriateness of the entries.

Other deficiencies such as absence and unsigned MOAs, lack of budget, transactions commencing even prior to execution of the MOA and delayed transfer of funds

2.17. On the examined CY 2019 entries in the account Due from NGAs, the Audit Team noted various deficiencies such as: (a) funds transferred with no supporting MOA totalling P6.776 million; (b) unsigned MOA totalling P51.460 million; (c) commenced transactions even prior to execution of the MOA totalling P13.339 million; (d) approved budget of the projects exceeds the budget agreed and stipulated; and (e) delayed transfer of Funds. Details are presented in *Annex B, Part IV of this Report*.

2.18. These deficiencies are primarily caused by strictly not implementing the restrictions and guidelines in granting of the fund transfers to other government agencies and absence of codified standard operating procedure that will guide all the personnel involved from granting, monitoring and liquidation of funds transferred.

2.19. **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.

b. Instruct the Accounting Department to:

b.1 Continue the reconciliation of the noted variance among the FS, GL and SRFT and effect the necessary adjustment, if any;

b.2 Maintain SL for each PDOT Office/Regional Office and regularly reconcile the SLs with the GL;

b.3 Furnish the DOT Head Office Accounting with copies of the Journal Entry Vouchers (JEVs) on the grant 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

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.

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.

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.

e. Submit the documents and/justification on the other noted deficiencies.

2.20. Management further commented that demands were already made and continuous effort of the Accounting Division to reduce these balances resulted in significant decrease in CY 2020. They also submitted documents and justification on the other noted deficiencies.

2.21. As a rejoinder, the Audit Team acknowledged the efforts made by TPB to reduce the unliquidated Fund Transfers. As regards the other documents submitted, the same are still under validation.

3. 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.

3.1. This is a reiteration of the previous year's observation as Management was not able to implement the corresponding recommendations.

3.2. Paragraph 67 of IPSAS 29 provides that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any of such evidence exists, the entity shall apply paragraph 72 (for financial assets carried at amortized cost), paragraph 75 (for financial assets carried at cost) or paragraph 76 (for available-for-sale financial assets) to determine the amount of any impairment loss.

3.3. Also, Paragraph 68 of the same Standard states that a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3.4. Review of financial documents/reports showed that an Allowance for Impairment amounting to P9.759 million was set up for Receivables account totaling P386.325 million as of December 31, 2019. It was, however, noted that TPB did not have aging schedules/reports showing the accounts affected by the allowance or the impaired accounts. Also, there was no assessment made in CY 2019 to determine if there were indications of impairment.

3.5. In view thereof, the correctness of the Allowance for Impairment amounting to P9.759 million on the Receivables account could not be established.

3.6. **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

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

b.2 Locate the supporting documents of the receivables outstanding for more than one (1) year and reassess their collectability.

3.7. Management informed the Audit Team that they were able to locate the schedule used to set-up the Allowance for Impairment in CY 2010, which pertained mainly to receivables from various NGAs. The Accounting Department shall further verify the recorded Allowance for Impairment, if necessary, adjustments will be made in the books of accounts.

3.8. As a rejoinder, the Audit Team appreciated the efforts made by Management in looking for the schedule used to set-up the Allowance for Impairment in CY 2010. Their full compliance with the recommendations will be monitored in the CY 2020 audit.

4. 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 IPSAS 1.

4.1. Paragraph 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities requires that:

> *To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance – which is not necessarily always the same as its legal form.*

4.2. Also, 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.

4.3. Audit of the Financial Liabilities account with year-end balance of P443.459 million, revealed various deficiencies as discussed in the succeeding paragraphs.

Non-submission of contracts and/or supporting documents evidencing the obligations totaling P32.310 million

4.4. There were transactions totaling P32.310 million recorded in the A/P account that lacked documentary requirements to establish the validity and the accuracy of the recording thereof, as presented in the Table 2.

Table 2 – Recorded A/P that Lacked Documents to Recognize Liability

Supplier/Payee	A/P Amount
No finalized contract	
Philippine Airlines, Inc.	P12,452,587
Embassy of the Philippines – DOT C/O Genesis Raenani Gaffud Renos	6,980,404
Sub-Total	19,432,991
No supporting document submitted	
Chibuzo International Corp	8,960,000
Messe Berlin GMBH	3,917,287
Sub-Total	12,877,287
Total	**P32,310,278**

4.5. IPSAS 29 – *Financial Instruments*: Recognition and Measurement provides that an entity shall recognize financial liability when the entity becomes a party to the contractual provisions of the instrument and such is recognized at its fair value.

4.6. In line with the above criteria, financial instruments, i.e. A/P, shall only be recognized when the entity becomes a party to a contractual provision of an instrument. Thus, in the absence of finalized contract and/or supporting documents to establish the financial liability, the correctness of recording thereof as A/P could not be established.

Non-submission of supporting documents in the reversal of abnormal balances totaling P189.637 million

4.7. The correctness of the adjustments to A/P and Accumulated Surplus/(Deficit) accounts amounting to P189.637 million representing prior years' abnormal balances could not be established due to absence of documents showing the procedures performed by TPB in identifying and determining the nature of these abnormal balances.

4.8. The Audit Team, through CY 2018 AAR on TPB, informed Management of this observation. However, as at audit date the supporting documents remained not submitted, thus, casting doubts on the appropriateness and correctness of the adjustments made.

Various payments in prior years totaling P29.243 million were recorded as accumulated surplus instead as deductions in the A/P account

4.9. The Audit Team in the prior year informed TPB that there were payments made totaling P29.243 million that were not reflected due to an error in recording (see Table 3 – Payments not recorded as deductions to A/P). Instead of debiting the A/P account, Accumulated Surplus/(Deficit) account was used.

Table 3 – Payments not recorded as deductions to A/P

Payee	Per SL	Unreflected Payments	Balance
LBP – Kabushikigaisha Nikkei Sangyo Kokokusha	P 4,898,053	P 4,898,053	P -
Sofitel Philippine Plaza Holdings, Inc.	7,738,378	7,545,409	192,969
East Gate Publishing Corp	7,800,000	7,800,000	-
Worldstage Productions	15,000,000	9,000,000	6,000,000
Total	P35,436,431	P29,243,462	P6,192,969

4.10. However, after a year, there was no action taken on this observation. As a result, the affected accounts remained materially misstated.

Non-accrual of various unpaid expenses aggregating P13.443 million

4.11. Test of cut-off covering Disbursement Vouchers (DVs)/Authority to Debit the Account (ADA) for the months of January to February 2020 showed that there were expenses pertaining to CY 2019 totaling P13.443 million (*See Annex C, Part IV of this Report)* that were not recorded as A/P for the year ended December 31, 2019, thereby, misstating the A/P and other related accounts.

4.12. The non-accrual of these expenses could be attributed to TPB's practice of recording disbursements only upon payment. There were no procedures undertaken by the Accounting Department, like test of cut-off to determine transactions pertaining to the current year that are only paid in the subsequent year.

4.13. In summary, the above noted observations may be attributed to the following:

a. Lack of A/P Analyst or designated personnel that would handle, monitor and reconcile A/P; and

b. Delay in the recording of transactions, thereby, hampering the monthly reconciliation and updating of A/P aging schedule.

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

a. Designate personnel that would permanently handle and monitor the Financial Liabilities account.

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;

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 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**

b.4 **Accrue all unpaid expenses for the year to avoid restatement of the financial statements due to prior period adjustments.**

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.**

4.15. In addition, Management informed the Audit Team that three out of four erroneous entries were already corrected and adjusted in the books of accounts for CY 2020. They also committed, in order to timely meet and comply with all the documents and reportorial requirements, that the TPB will designate one person to handle, reconcile and monitor A/P account.

4.16. As a rejoinder, the Audit Team appreciated the initial action made by Management. Their full compliance with the recommendations will be monitored in the CY 2020 audit.

5. 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.

5.1. Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013 require that within 10 days from the end of each month/agreed period for the project the Implementing Agency (IA) shall submit the Reports of Checks Issued

(RCI) and Report of Disbursement (RD) to Source Agencies (SAs) and the IA Auditor. Also, the unutilized/unused balance should be returned by the IA to the SA upon completion of the project.

5.2. Audit disclosed that funds received from various government agencies totaling P211.895 million and P4.829 million booked as Due to NGAs and Due to GOCCs, respectively, remained outstanding for more than one year. Perusal of the submitted schedule showed that these funds were for the implementation of various projects and programs of the SAs and were already completed in the prior year/s. The schedule, however, was unable to present/identify most of the SAs for only the names of the projects and programs were indicated therein. Also, the Accounting Department did not have a compilation of the MOAs for these outstanding/ unliquidated/unreturned funds, thus making the identification of the SAs and the verification of the underlying terms and conditions difficult.

5.3. Due to the aforesaid limitation, the Audit Team, through Audit Query Memorandum (AQM) No. 2020-08, dated March 6, 2020 requested the following:

a. The names of the SAs including the total outstanding/unliquidated balance to enable the Audit Team to send letters of confirmation verifying the accuracy, existence and completeness of the recorded balance; and

b. Justification on why the funds received from various government agencies recorded under the accounts Due to NGAs and Due to GOCCs remained non-moving; and why the unutilized funds were not returned to the SAs even though the projects and programs ended.

5.4. However, no reply was received from Management. The Audit Team tried to perform other alternative procedures in order to have a reasonable assurance on the fair presentation of the accounts such as requesting the MOAs and schedule of Report of Checks Issued (RCI) and Report of Disbursements (RD) submitted to the SAs, but those were also not provided. Hence, due to the non-submission or unavailability of the records the designed audit procedures could not be performed.

5.5. As for the account due to GOCCs with identified SAs, namely, Tourism Infrastructure and Enterprise Zone (TIEZA) and Duty Free Philippines Corporation (DFPC) with a balance of P3.415 million and P0.690 million, respectively, letters of confirmation were sent. The DFPC replied that it had no outstanding claim against TPB, thus causing a variance of P0.690 million. As for TIEZA, no reply was received as at audit date. Verbal inquiry with the OIC for the Accounting Department disclosed that there may be a few disbursements out of the received funds that were improperly recorded and may not have been recorded at all.

5.6. The herein observations are due primarily to absence of personnel directly in-charge in the recording, monitoring and reporting of transactions in these accounts. The controls provided in the above-quoted COA Circular were not followed, particularly: (a) submission of RCI, RD to report the utilization of the funds within ten (10) days after the end of each month/agreed period of the project; (b) verification by the Accountant of the submitted report, recording and submission of all vouchers and supporting documents to the COA Auditor; and (c) return to the Source Agency of any unused balance.

5.7. Also, it was observed that there was no sound internal control in place to avoid the erroneous recording arising from the utilization of the received funds such as regular reconciliation by the Accounting Department with the Project Officers/Disbursing Officers and the Accounting Personnel of the SAs.

5.8. In view of the foregoing, the inability to return the excess funds to the SAs despite the completion of the projects is not only contrary to COA Circular No. 94-013 but also deprived the SAs from utilizing the funds in the implementation of other projects and programs for the benefit of the government/public. Also, the absence of complete documents supporting the accounts and the instances of unbooked/unrecorded transactions would cast doubt on the fair presentation of the subject accounts in the financial statements.

5.9. **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.

b. Direct the Accounting Department to:

b.1 Compile properly all the MOAs, RCIs and RDs to support the accounts;

b.2 Identify the SAs, reconcile and return the unutilized fund balance, and provide the necessary adjusting entries, if any; and

b.3 Submit to the Audit Team the RCIs and RDs along with the original supporting documents.

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 PPSAS 1.

5.10. Management informed that the Finance Department has already identified the personnel to be designated as the person in-charge. The Accounting Department will exert extra effort in tracing and compiling all supporting documents to support the accounts and submit the same once secured.

Further, a confirmation letter will be sent to the SAs once TPB validates each account.

5.11. As a rejoinder, the Audit Team appreciated the commitment of Management to comply with the recommendations. Their full compliance thereof will be monitored in the CY 2020 audit.

6. The faithful representation in the financial statements of the reported Net Surplus (net income) and Accumulated 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.

6.1. Paragraph 3.10 of the Financial Reporting by Public Sector and Paragraph 27 of IPSAS 1, require 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. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.

6.2. Review of the CY 2019 Financial Statements (FSs) disclosed that the reported net surplus/net income amounted to P957.652 million or an increase of 339% from last year's income of only P217.932 million. Corollary thereto, the balance of the ASD account ballooned to P1.441 billion. Also, it was observed that since CY 2017 AAR, it was reported that there were prior period adjustments of no less than P300 million every year in the FSs. Thus, test of cut off, subsequent payments tests and comparison of records were made. Presented hereunder are the observations noted.

Unrecorded expenses totaling P156.120 million

6.3. Test of cut-off and subsequent payments from January to March 2020 booked transactions were performed and it was noted that there were expenses for CY 2019 that were only recorded in CY 2020 totaling P156.120 million (see complete list and details in Annex D, Part IV of this Report). These pertained to expenditures incurred in CY 2019 but were only paid, liquidated and/or recorded in CY 2020 due to: (a) delayed liquidation by employees and implementing agencies attributable to ineffective follow-ups and/or demand to liquidate prior to the end of CY 2019; (b) absence of regular reconciliation between the Accounting and Budget Departments leading to non-accrual of unpaid expenses and non-recognition of due and demandable obligation under A/P account; and (c) absence of cut-off procedures performed by TPB.

Variance totaling P510.041 million in the A/P account between per books and the Due and Demandable Obligation as presented in BFAR Form No. 1, Statement of Appropriation, Allotments, Obligations, Disbursements and Balances (SAAODB)

6.4. As earlier mentioned, one of the main reasons for the discrepancy is the absence of proper reconciliation between the records of the Accounting and Budget Departments. Therefore, the Audit Team requested the submission of the SAAODB and compared it with the schedule of A/P account, particularly the unpaid CY 2019 transactions, and a variance of P510.041 million was noted (see Table 4 – Comparison of A/P as recorded and Due and Demandable Obligations as presented in the SAAODB).

Table 4 – Comparison of A/P as recorded and Due and Demandable Obligations as presented in the SAAODB

Accounts Payable	Amount
A/P provided for CY 2019 transactions as reflected in A/P Schedule of Accounting Department (per books)	P179,182,858
Due and Demandable Obligation per BFAR Form No. 1 SAAODB	689,223,733
Variance	P510,040,875

6.5. As shown in Table 4, out of the amount of P689.224 million due and demandable obligations only P179.183 million was recorded as A/P by the Accounting Department leaving a variance of P510.041 million.

6.6. To further the testing, the Audit Team requested the Budget Monitoring Form (BMF) and compared it with the reported current operating expenses, increase in inventory account and acquisition of property and equipment and, a variance of P696.471 million was also noted (See Table 5 – Comparison of BMF and as Reported in the FSs).

Table 5 – Comparison of Utilization as per BMF and as Reflected in the FSs

Amount utilized out of CY 2019 Budget as reflected in BMF*		P1,604,743,944
Amount reported in the Financial Statements		
Total Current Operating Expenses	891,346,969	
Increase in Inventory account	11,543,379	
Acquisition of PPE	5,382,692	908,273,040
Difference		**P 696,470,904**

**BMF is the form used by TPB to monitor the utilization of funds as budgeted and appropriated*

6.7. The aforesaid variances could materially affect the reported expenses, Net Surplus and ASD as of December 31, 2019, considering that in TPB's

Corporate Operating Budget (COB), only P10,000,000 is allotted for Capital Outlay and the remaining portion is for the implementation of various PAPs for CY 2019, which is normally recorded/reported as expenses for the particular year.

6.8. The Audit Team also noted that the Finance Department does not maintain a reconciliation statement and/or require the Accounting and Budget Departments to reconcile their respective A/P schedule and the Due and Demandable Obligation schedule.

6.9. In view of the foregoing, the faithful representation in the FSs of the reported Net Surplus (net income) and Accumulated Surplus/(Deficit) (ASD) as of December 31, 2019 amounting P957.652 million and P1.441 billion, respectively, could not be ascertained.

6.10. **We recommended that Management direct the Accounting Department to:**

a. Assess the appropriateness of 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;

c. Issue a Memorandum directing all accountable officers to liquidate all cash advances before year-end; and

d. Perform cut-off tests in order to recognize all paid/liquidated expenses pertaining to the financial year.

6.11. Management assured the Audit Team that the noted lapses will not persist as the TPB is focusing on reducing liquidation of cash advances and fund transfers balances. The Accounting and Budget Departments are now in close coordination as regards to the recording of Accounts Payable using the accrual method of accounting through the proper identification of due and demandable obligations. They also informed that the Accounting Department has exercised prudence and due diligence in accounting and recording A/P for CY 2019 and henceforth, a reconciliation statement will be prepared to reconcile the recorded A/P under Budget and Accounting Departments in order to avoid erroneous reporting.

6.12. As a rejoinder, the Audit Team appreciated the commitment of Management to reduce the errors in reporting and presenting the transactions for the ensuing year. It is emphasized that there is a need to reconcile the records of both the Accounting and Budget Departments. This procedure is intended to avoid misstatement of FSs due to non-accrual of expenses and for TPB to present the accurate information of funds not utilized and unobligated, which is to be reverted to the National Treasury.

B. OTHER OBSERVATIONS

7. 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.

7.1. Section 2 of EO No. 91, "Adopting the Cash Budget System Beginning Fiscal Year 2019, dated September 9, 2019" provides for the following:

> ***SECTION 2. REVERSION OF UNEXPENDED BALANCES OF APPROPRIATION****. Any unreleased appropriations and unobligated allotments at the end of FY, as well as unpaid obligations and undisbursed funds at the end of the EPP [Extended Payment Period] shall revert to the National Treasury and shall not thereafter be available for expenditure, except by subsequent legislative enactment. Xxx Departments, bureaus and offices of the National Government, including constitutional offices enjoying fiscal autonomy, state universities and colleges, government-owned or – controlled corporations and LGUs, shall strictly observe the validity of appropriation and comply with the reversion of fund.*

7.2. Review of the FSs and submitted BFARs showed unutilized and unobligated funds totaling of P246.133 million. Computation is presented below:

Total Funds Received		
Income and Business Income	P 31,642,529	
Subsidy out of SAGF	1,819,234,541	P1,850,877,070
Utilized and Obligated per BFAR		
Continuing Appropriation (Disbursements)	668,740,917	
Current Year Appropriation		
– Disbursements	251,779,292	
– Due and Demandable	684,223,733	1,604,743,942*
Unutilized/unobligated portion		P 246,133,128

*This amount is tallied to Budget Monitoring report maintained and submitted by the Budget Officer.

7.3. The "total funds received" portion was derived from the CY 2019 Statement of Financial Performance, whereas the amount utilized and obligated was lifted from the BFARs submitted to the Audit Team and as reconciled with the Budget Monitoring Report of the Budget Officer.

7.4. Applying Section 2 of EO No. 91, the said amount should be reverted to the National Treasury. Also, the unutilized/unobligated portion would signify that TPB is not maximizing the use of allotted funds for the attainment of its mandated purpose.

7.5. It was further observed that the BFARs were not submitted on time. It was only in the latter part of June 2020 when the forms were submitted to the COA Audit Team.

7.6. The delayed submission of the aforesaid documents restricts the Audit Team to timely perform the required audit procedures.

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

a. Revert to the National Treasury all the unutilized/unobligated funds under the SAGF;

b. Ensure that all received funds are utilized for the purposes these were given and delivered to their intended beneficiaries;

c. Direct the Finance Department to observe the deadline for submission of the BFARs; and

d. Henceforth, comply strictly with the provisions of EO No. 91 and COA-DBM Circular No. 2019 – 01

7.8. Management further commented that they will revert to the National Treasury the unutilized and unobligated funds amounting to P246.133 million and committed to timely prepare and submit the BFARs to the Audit Team.

8. 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).

Incomplete documents supporting payment to suppliers totaling P48.311 million booked as APME

8.1. Section 4 (6) of PD No. 1445 provides: "*Claims against government funds shall be supported with complete documentation*".

8.2. Audit of the APME account showed that there were various payments made to suppliers totaling P48.311 million (See Annex E, Part IV of this Report for details) that were not properly supported with Official Receipts, Contract, Inspection, Acceptance or validation of the actual accomplishment vis-à-vis the stipulated deliverables and/or canvass/study to determine the reasonableness of the rates charged and other necessary documents.

8.3. The subject transactions were included in the Audit Query Memorandum (AQM) for the month the transaction/s occurred and the Audit Team required the concerned personnel to submit the documents and/or provide justification. However, no reply was received as at audit date.

8.4. The aforesaid documents are necessary to establish the existence, accuracy, propriety or validity of the transactions/disbursements and give assurance that the required deliverables are accomplished and/or received by the TPB.

Procurements totaling P3.668 million did not undergo public bidding or the usual process/mode of procurement

8.5. Section 10 of RA No. 9184 provides: "*All Procurement shall be done through Competitive Bidding, except as provided for in Article XVI of this Act*." Also, Appendix H of the RIRR provides for the processes and documents required for every alternative mode of procurement.

8.6. The Audit Team noted that procurements of services totaling P3.668 million did not undergo the required bidding process. The TPB justified that due to exigency of service and time constraints, procurements were not done through public bidding and/or any of the alternative modes of procurement as required by the 2016 RIRR of RA No. 9184.

8.7. However, alternative modes of procurement can be resorted only if competitive bidding is not feasible, and are also subject to certain restrictions/conditions that must be followed and subject to Bids and Awards Committee (BAC) Resolution on what modes of procurement are to be applied. Presented in Table 6 is the list of transactions which did not undergo the usual process of bidding.

Table 6 – Procurements that did not undergo the Bidding Process

Check/DV No.	Amount	Remarks
403312	P 380,580	Did not undergo the usual process of procurement due to time constraints. Purchase request was not able to be posted in PhilGEPS.
417289	1,915,638	Not compliant with RA No. 9184. No bidding.
417502	70,313	Did not undergo the usual process of procurement due to time constraints.
2019-04-979	1,301,644	Did not undergo the usual process of bidding due to time constraints.
Total	P3,668,175	

8.8. The transactions did not undergo the required and/or usual process of procurements, the required BAC Resolutions were not provided, as well as it is not clear on the modes of procurements adopted. Also, these procurements were undertaken by the project officers.

8.9. The non-adherence to the requirements of RA No. 9184 and its RIRR is attributable to lapses in planning the projects and the related procurements thereon, and the practice of TPB to accommodate projects and programs despite insufficient time to undergo the procurement process.

8.10. Also, the Audit Team noted that the project officers and/or end users were not adequately briefed by the Finance Department. As a result, there were instances that necessary documents were not prepared and included as attachment to the payment. Further, the Finance Department personnel, particularly those involved in processing, do not have updated checklists of documentary requirements for every class of transaction.

8.11. **We recommended that Management direct the Finance Department to:**

a. Submit the necessary documents, otherwise, a Notice of Suspension will be issued;

b. Issue a Memorandum containing an updated checklists of documentary requirements for every class of transaction;

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;

d. Ensure that all the necessary documents are attached or appropriately referenced before effecting payments;

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; and

f. Comply strictly with the provisions of PD No. 1445 and RA No. 9184 and its RIRR.

8.12. During the Exit Conference, Management committed to submit the required documents and adhere to the audit recommendations.

9. 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), 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.

9.1. The following are the relevant law, rules and regulations:

a. Paragraph 7, GCG MC No. 2017-03

> ***7. INTERIM MEASURE*** *– In the interim, the compensation framework of GOCCs, including their subsidiaries, which are covered under RA No. 10149 shall be governed by the following:*
>
> *Xxx*
>
> *7.2. For SSL-Exempt GOCCS, the GOCC shall have the option to either maintain their current compensation framework which should be in accordance with the conditions set forth in Section 6 of P.D. No. 1597, Item 9 of J.R. No. 4 and/or other similar laws or, subject to approval of the GCG, adopt the Modified Salary Schedule under Section 3 of E.O. No. 201.*
>
> *Xxx*
>
> *By adopting the Modified Salary Schedule, the following shall also apply:*
>
> > *7.2.2.1 The GOCC shall be limited to the benefits, allowances, incentives provided under J.R. No. 4 and E.O. No. 201, which, in each case, shall be subject to the similar qualifications, conditions, and rates as may be prescribed by the DBM for national government agencies that are SSL covered. All other benefits not provided for in J.R. No. 4 and E.O. No.201 shall be removed.*
> >
> > *7.2.2.3 xxx*
> >
> > *The Mid-Year and Year-End bonuses provided herein, shall be in lieu of the bonuses, allowances or incentives or similar nature, that the GOCCS receive under their current compensation framework." (Emphasis supplied)*

b. Section 6, PD No. 1597

> *Exemptions from OCPC Rules and Regulations. Agencies positions, or groups of officials and employees of the national government, including government owned or controlled corporations, who are hereafter exempted by law from OCPC coverage, shall observe such guidelines and policies as may be issued by the President governing position classification, salary*

rates, levels of allowances, project and other honoraria, overtime rates, and other forms of compensation and fringe benefits. Exemptions notwithstanding, agencies shall report to the President, through the Budget Commission, on their position classification and compensation plans, policies, rates and other related details following such specifications as may be prescribed by the President.

c. Section 4(1), PD No. 1445

No money shall be paid out of any public treasury of depository except in pursuance of an appropriation law or other specific statutory authority.

9.2. During post audit of CY 2019 transactions, the Audit Team noted that TPB paid traditional bonuses to its regular personnel totaling P12.773 million on top of mid-year and year-end bonuses. Detailed in Tables 7 and 8 are the breakdown of traditional bonuses and the total allowances incorporated in the said bonus, respectively.

Table 7 - Breakdown of Traditional Bonuses

Bonus	Reference (DV Number)	Total Basic	Total Allowances (See Table 8)	Gross Amount	Less % of Eligibility	**Net Amount**
EA	2019-03-786A	P 3,815,487	P 558,220	P 4,373,707	P 145,310	P 4,228,397
SEA	2019-08-1758	4,044,070	589,820	4,633,890	192,207	4,441,683
CI	2019-12-2724	4,217,882	583,220	4,801,102	698,456	4,102,646
Total		P12,077,439	P1,731,260	P13,808,699	P1,035,973	**P12,772,726**

Table 8- Breakdown of Total Allowances included in Traditional Bonuses

Bonus	PERA	Medical	Representation	Transportation	Meal	Children	Rice	Total Allowances
EA	P182,000	P12,000	P147,150	P146,100	P 5,720	P 450	P 64,800	P 558,220
SEA	196,000	12,000	154,650	153,600	5,720	350	67,500	589,820
CI	208,000	12,000	147,170	145,280	5,720	250	64,800	583,220
Total	P586,000	P36,000	P448,970	P444,980	P17,160	P1,050	P197,100	P1,731,260

9.3. As can be gleaned from Tables 7 and 8, each bonus is equivalent to one-month basic salary plus the other allowances, namely PERA, Medical, RATA, Meal, Children and Rice Allowances.

9.4. The Audit Team through Audit Query Memorandum Nos. 2020-002 (19) & 2020-005, dated February 12 and 19, 2020, respectively, requested the legal basis of the grant of these bonuses and the source of budget considering that it was not included in the PS of TPB's COB.

9.5. On TPB's letter-reply dated February 20, 2020, they contended that RA No. 9593 or the Tourism Act of 2009 grants TPB the authority to "*Approve the compensation, allowances, and benefits of PTPB officers and employees, including the compensation and benefits scheme which shall be comparable with the prevailing compensation plans in the private sector and which shall be exempt from Republic Act No. 6758, otherwise known as the Salary Standardization Law, as well as other laws, rules and regulations on salaries and compensations"* and as such a board resolution duly signed and approved by TPB's Board is enough basis for the grant.

9.6. Attached to their reply is the letter of TPB addressed to the GCG dated December 8, 2017, requesting to adopt the Salary Standardization Law IV (SSL IV) or the MSS under EO No. 201, s. 2016. Also, in that letter, the following existing allowances/benefits were enumerated:

a. Fringe Benefit of PCMB employees prior to the adoption of SSL;
b. Representation and Transportation Allowance;
c. Medical Allowance/Incentive; and
d. Traditional Bonuses.

9.7. In GCG's letter dated December 15, 2017, the said request was granted with the following reminder:

> *The Governing Board is enjoined to ensure faithful observance and compliance with all the provisions of E.O. No. 36 including the rules and regulations set forth under GCG M.C. No. 2017-03, as well as all existing budgeting, accounting and auditing rules and regulations.*

9.8. Based on the foregoing, TPB opted and was authorized to adopt as its interim compensation framework the MSS under EO No. 201, s. 2016 rather than to maintain its then compensation framework. In effect, in exchange of the old rates and the various benefits and allowance previously provided, TPB chose the higher rates and the new allowances and benefits as its new compensation framework consistent with Paragraph 7 and Sub-paragraphs 7.2, 7.2.2.1 and 7.2.2.3 of GCG MC No. 2017-003 as quoted above.

9.9. Records show that following the MSS under EO No. 201 s. 2016, TPB adjusted the personnel compensation package increasing the basic salary rates and incorporated the new allowances and benefits including both the mid-year and year-end bonuses. However, on top of these benefits and allowances, TPB also retained the benefits received by its employees under its old compensation framework including the subject traditional bonuses, now computed based on the new rates of salaries and allowances. Thus, for bonuses alone, TPB personnel is receiving a minimum of five-month basic salary pay, this is not only contrary to Sub-paragraphs 7.2.2.1 and 7.2.2.3 of the said GCG MC, but also excessive and unreasonable considering that TPB is primarily relying from the

National Government subsidy through the Special Account in the General Fund (SAGF).

9.10. The claim that the Board decision through its resolution alone is sufficient to justify the grant of bonus is not proper. Section 6 of PD No. 1597 requires, GOCC to observe the guidelines and polices as may be issued by the President governing position classification, salary rates and etc. Hence, the Board does not have an unbridled authority to declare bonus if it already exceeded the directives of the President and, in this case, is as contained in EO No. 36.

9.11. The bonuses were not properly budgeted since it was not included in the authorized benefits/allowances enumerated in the DBM approved COB specifically under PS, contrary to Section 4(1) of PD No. 1445. The Audit Team requested from TPB the source of Funding/Budget of the bonuses, however, as at audit date, no reply is received from Management.

9.12. In view of the foregoing, the grant of the traditional bonuses is without legal basis and not budgeted making the payment irregular, unreasonable and unauthorized. Thus, continuous grant thereof may be disallowed in audit.

9.13. **We recommended that TPB Management:**

a. **Stop the granting of these traditional bonuses;**

b. **Ensure that all DBM approved bonuses should be included in the budget under Personnel Services (PS) of the COB; and**

c. **Comply strictly with the provisions of GCG MC No. 2017-03, Implementing Rules and Regulations of EO No. 201, s. 2016.**

9.14. Management commented that there was a GCG's authorization to adopt the MSS without categorically abrogating the grant of the above-mentioned allowances and incentives. This approval served as basis for the TPB Management to continue the release of the said allowance and incentives. To construe that the adoption of the MSS negates the continuance of the benefits and allowances being received by the employees counters the principle of non-diminution of pay and benefits. Notably, since the GCG has approved TPB's adoption of the MSS, which implies the continuing grant of the said allowances and incentives pursuant to the authority granted by the Tourism Board and based on the principle of non-diminution of pay and benefits, TPB may continue to grant the same to its employees.

9.15. As a rejoinder, the Audit Team maintains its position to stop the grant of these traditional bonuses unless approval is obtained from the Office of the President through the GCG in view of the following reasons:

a. The quoted paragraphs of GCG MC No. 2017-03 are explicit that by adopting the MSS, the GOCC shall be limited to the benefits, allowances, incentives provided under J.R. No. 4 and EO No. 201 and the Mid-Year and Year-End bonuses provided in the said J.R and EO would be in lieu of the bonuses, allowance or incentives;

b. The GCG's letter granting the request of TPB to adopt the MSS is clear that the Governing Board is enjoined to ensure faithful observance and compliance with all the provisions of EO No. 36 and GCG MC No. 2017-03 as well as existing budgeting, accounting and auditing rules and regulations;

c. There would be no diminution of benefits because of the corresponding increase in salaries and there are other allowances and bonuses provided in MSS that were in lieu of the traditional bonuses. And, if it is the intention of Management not to part ways with the traditional bonuses they could have opted to maintain their current compensation framework rather than adopt the MSS; and

d. The aforesaid traditional bonuses were not approved by DBM as it was not included in the COB.

10. 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).

10.1. Section 26 of the GAA for FY 2019. Inventory of Supplies, Materials and Equipment Spare Parts 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 heads of the agencies may increase their inventory of critical supplies, materials and equipment spare parts 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 in said items; 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 the approval by the President of the Philippines, upon joint recommendation of the Chairperson of the COA and the Secretary concerned.

10.2. The significant increase of 44 per cent in the inventory account of Promotional materials of P37.829 million from previous year's balance led the Audit Team to issue an AQM, inquiring for such substantial increase.

10.3. As per response from the inquiry, the increase was primarily due to two factors: (a) an outdated IMFITP logo were imprinted to the old stocks, thus, the need for new sets of promotional items bearing the updated/new logo, and (b) not all Departments were able to fully utilize their promotional materials allocations.

10.4. However, it is very unlikely for an agency that is not engaged in trading to accumulate their inventories and so this practice may result in possible wastage of materials considering that some of those are still non-moving and slow-moving inventories purchased 3-5 years ago. As a result, these practices violate Section 26 of the FY 2019 GAA.

10.5. As can be observed from the reply on the said AQM, increase could be attributed to imprinting of specific logo which restricts their further use on other events and lapses in procurement planning resulting in over procurement.

10.6. The Audit Team also observed that TPB does not have a current plan on how to use/distribute these promotional materials.

10.7. **We recommended and Management agreed to direct the Project Officers to:**

a. Avoid creating logos/designs for a specific event and dates so that the remaining promotional materials could be reused for other events;

b. Properly provide estimate to avoid procuring excessive promotional materials, over stocking/procurement and possible wastage thereof; and

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.

10.8. As additional information, Management commented that the bulk of the unused promotional materials such as brochures will be distributed to the foreign posts, international and domestic airports in the country, schools and information counters to serve as reference materials.

11. There were procurements made through cash advances (CAs) totaling P380,784 that did not undergo the 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.

11.1. Sections 4 and 10 of the RIRR of RA No. 9184 provides that all procurements shall be done through competitive bidding, except those Alternative Modes of Procurements.

11.2. Likewise, Section 2, COA Circular No. 97-002 provides that all payments should be made by check except on cases/instances when payments by check are very difficult, impractical or impossible wherein payments may be made by the Disbursing Officer in the form of cash through his cash advance.

11.3. Examination of some of the liquidation reports on the cash advances showed that procurements totaling P380,784 (see Table 9 for details) did not undergo the required procurement process under RA No. 9184, contrary to the above stated provisions, which require that all procurement should apply the provisions of RA No. 9184 and its 2016 IRR. Also, the payment of which were made through cash advances instead of checks inconsistent with Section 2 of COA Circular No. 97-002 which requires that CA should be resorted only if payment/disbursement through check is impractical.

Table 9 – Procurements Made through CAs that Did not Undergo the Procurement Process

Project	Particulars	Actual Expense
Sustainable Community-based Tourism (PTM) Location: SMX Convention Center, MOA	Hotel Accom (Hotel 101)	P141,600
	Giveaways (Lake Sebu)	10,000
	Accommodation (Hotel 101)	29,400
	Tour Services (Tuesday Travel and Tours)	74,648
Tourism Educational Seminar 2019 - Cebu City Run	Additional Services (Crossroad Holidays Travel & Tours)	19,250
Tourism Educational Seminar 2019 - Batangas Run	Supplies and Materials (Samahan ng maliliit na mangingisda)	28,000
PTDI Site Validation: Davao and South Cotabato	Accommodation	13,486
	Transportation (JNDT Transport Services)	35,000
Tourism Educational Seminar 2019 - Butuan City Run	Additional Services for Butuan Run	29,400
Total		P380,784

11.4. Projects or events may be classified either as: included specifically by the TPB in its programs, and those requested by 3rd parties/endorsed by the Department of Tourism. Some of these outside requests were made too near before the actual date which makes the procurement in a tight schedule leading to a project officers' decision to forego the procurement process. If time permits, project officers would look for quotations for the said disbursement, and if it cannot be done these were included as part of their cash advance.

11.5. As can be gleaned from Table 9, substantial amounts were procurements made within the National Capital Region (NCR). These disbursements could not be ascertained as to their reasonableness because they did not undergo the usual process of procurement where the proper review and evaluation of the BAC and TWG of the items/services being procured are made. As a result, the Audit Team was not able to ensure that government funds were used only for official purposes contrary to pertinent provisions of PD No. 1445. Also, it could not be ascertained whether the said contracts were the most beneficial to the government.

11.6. **We recommended that Management:**

a. Direct the Project Officers and the approving authority to 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

c. Comply strictly with the provisions of RA No. 9184 and COA Circular No. 97-02.

11.7. Management assured the Audit Team that they will comply with the recommendations and strictly adhere to the provisions of RA No. 9184 and COA Circular No. 97-002. Also, included in their reply are the surrounding circumstances and reasons that resulted in this observation.

11.8. As a rejoinder, the Audit Team acknowledged the willingness of Management to comply with the recommendations. As for the submitted justifications, due to lack of material time, the assessment of which would be included along with the implementation of the recommendations in the CY 2020 audit.

12. 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.

12.1. COA Circular No. 97-002 dated February 10, 1997 provides that:

> *5.8 All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.*

12.2. Accordingly, this is also sanctioned under Section 89 of PD No. 1445, to wit:

> *Section 89. Limitations on Cash Advance. - No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.*

12.3. CAs totaling P706,786 (see details in Table 10) pertaining to 2017 were still unliquidated as of the last Quarter Report dated December 31, 2019.

Table 10 – Unliquidated CAs of Resigned Employees

Purpose	Date Granted	Amount
Daily Subsistence Allowance (DSA) SA-WTM 2017, 11/6-8/2017	11/3/2017	P211,080
DSA-Launching of 500 Tulog for Balikbayan/OFW in LA California USA	11/28/2017	140,995
DSA-Launching of 500 Tulog for Balikbayan/OFW in LA California USA, 11/28-12/4/2017	11/28/2017	140,995
DSA-Asian Film Festival & Phil Exhibition in Grand Central Terminal, 05/3-14/2018	05/02/2018	213,716
		P706,786

12.4. As can be observed on Table 10, these CAs were all DSAs of the then COO and his team, co-terminus with him, for different travels related to different TPB Projects. The CAs were due for liquidation months before their resignation, however, within this period neither demand nor withholding of salary were made. TPB also, granted additional CA to one personnel even though the previous CA remained unliquidated.

12.5. A demand letter was sent to these persons, however, only the then COO was able to reply to this date. In his reply, his CAs were all liquidated and settled hence he requested time so that he may supply the necessary documents to support his claim.

12.6. The improper maintenance and monitoring of the CAs and lax implementation of the rules and regulations thereon may lead to abuse and improper use of government funds. Overdue CAs must be demanded and other measures be exacted to avoid future irregularities and the returned funds, if any, be immediately used for other PAPs of TPB.

12.7. **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;**

b. Exact legal measures to demand the remaining amount, if any;

c. Designate an officer that would strictly monitor the CAs and be responsible for reminding the Head of the Accounting Department to issue the 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.

12.8. Management also informed the Team that as of June 30, 2020, the said amount was reduced to P493,070.

13. 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 SDO and reconciliation with the records of Accounting Department could not be performed.

13.1. During the Cash Examination held last September 17, 2019, it was observed that the SDOs were not maintaining separate Cash Books for their respective CAs, contrary to COA Circular No. 97-002 dated February 10, 1997:

> *6.2 The AO shall maintain separate* ***cashbooks*** *for salaries, wages, allowances, etc. and for petty operating expenses. The AO shall record the transactions in the prescribed cashbook daily. He may record each invoice/ receipt/voucher individually or the total disbursements for the day depending on the volume of the transactions.*

13.2. The SDOs usually get CAs on different TPB projects for different purposes; however, they do not maintain a separate cash book for these advances. It was observed that some of them do not actually know the number of times they made a cash advance and that they merely rely on the documents that they have on file or the records from the Finance Department. Per inquiry, the SDOs claimed that they were not aware of this requirement and there was no briefing made by the Accounting Department on this matter.

13.3. Nevertheless, the SDOs should maintain a cash book for their CAs independent of the records of the Finance Department to provide for proper monitoring of their accountabilities. Also, this would ensure that the records of the Finance could be reconciled with the records of the SDOs. It is not enough that the supporting documents are on file especially as the SDOs make numerous CAs in a year.

13.4. **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;**

b. **Include in the designation of the SDOs, among other requirements, the maintenance of cashbook; and**

c. **Require the SDOs to comply strictly with COA Circular No. 97-002, on the maintenance of cashbook.**

14. 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.

14.1. It was observed that the CAs of some SDOs were made for other Project Officers. This was done since some Project Officers are not regular employees of TPB which cannot be bonded (details are presented in Table 11). However, this is contrary to Item 4.1.6 of COA Circular No. 97-002 dated February 10, 1997, which provides that *"Transfer of Cash Advance from one Accountable Officer (AO) to another shall not be allowed"*

Table 11 – CAs drawn by the Accountable Officer but Disbursed by Another

Accountable Officer	Purpose	DV #/CK #	Amount of CA	Disbursed by:
Accountable Officer 1	CA-PAL Int'l Domestic Awards, 03/14-16/2019	2019-03-601/ CK#403031	40,000.00	Project officer A
Accountable Officer 1	CA-Tourism Marketing Educational Seminar Batangas Run, 06/17-21/2019	2019-06-1342	90,000.00	Project Officer A
Accountable Officer 1	CA-Tourism Marketing Educational Seminar in Cebu City, 08/19-23/2019	2019-07-1613	70,000.00	Project Officer B
Accountable Officer 1	CA-Sustainable Community - based Tourism-30th PATA Travel Mart, 08/30/2019	2019-08-1976	300,000.00	Project Officer C

14.2. TPB has a lot of different projects, but no enough regular personnel to make individual CAs. This, however, does not justify the use of SDOs, who are bonded, for non-regular personnel, as this might result in the misappropriation of the CAs. Even if the said SDO maintains accountability, the person actually disbursing the CA is not a permanent employee of the TPB and might decide to misuse the cash. Moreover, the SDO may deny his/her participation in the project as his/her name was just used to obtain the CA which could lead to confusion as to who should be followed up as regards to its liquidation, etc.

14.3. **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**

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.**

15. 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.

15.1. Section 11 of the Government Accounting and Auditing Manual (GAAM), Volume III, provides:

> *Internal control includes the plan of organization and methods and procedures adopted by management to ensure that its goals and objectives are met; that resources are used consistent with laws, regulations, and policies; that resources are safeguarded against wastage, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.*

15.2. Management is responsible of installing an internal control within the organization. Moreover, Section 36 of the GAAM states that it shall be the primary responsibility of the head of agency to install, implement and monitor an adequate system of internal control under such guidelines prescribed by the Commission on Audit.

15.3. The Audit Team observed that the different funds, i.e. SAGF, Corporate Fund, SCF, and Trust Fund, were all maintained in the TPB's Current account and LBP Dollar Account since there were no separate bank accounts maintained for each of the fund. As explained, all cash receipts regardless of its nature are deposited in the LBP current account.

15.4. However, this practice exposed the funds to risk of improper use, fund juggling and difficulty on the part of the Accounting Department to monitor and verify the remaining balance available for each fund.

15.5. **We recommended and Management agreed to maintain separate bank accounts for SAGF, SCF, Corporate Fund, and Trust Fund.**

GENDER AND DEVELOPMENT (GAD)

16. 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 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.

16.1. Section 36 of RA No. 9710 states that:

a. *Planning, budgeting, monitoring and evaluation for GAD. GAD programs addressing gender issues and concerns shall be designed and implemented based on the mandate of government agencies and local government units, Republic Act No. 7192, gender equality agenda of the government and other GAD-related legislation, policies, and commitments.*

b. *Xxxx*

c. *The cost of implementing GAD programs shall be the agency's or the local government unit's GAD budget which shall be at least five percent (5%) of the agency's or the local government unit's total budget appropriations.*

16.2. Also, Item 6 of PCW-NEDA-DBM Joint Circular No. 2012-01provides for the costing and allocation of the GAD budget, to wit:

6.1. At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD Plans and Programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriation

Xxxx

6.4. Attributing agency major programs to the GAD budget.

Attribution to the GAD budget of a portion or the whole of the budget of an agency's major programs is a means toward gradually increasing the gender responsiveness of government programs and budget.

16.3. Paragraph 8.2 of the same Joint Circular further provides that the GAD Focal Point Systems (GFPS) of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. The GFPS shall then submit the final GPBs and the corresponding GAD ARs to PCW for review and endorsement.

16.4. Further, the PCW Memorandum Circular No. 2018-01 dated 15 January 2018 provides:

> *2.0 The deadline of submission of all FY 2019 GPBs and FY 2017 GAD ARs to PCW shall be on 31 January 2018. Only GPBs submitted within the deadline shall be reviewed for endorsement by PCW.*

16.5. In the audit of the GAD for CY 2019, it was noted that TPB only allocated P10.013 million or 0.5% for GAD PAPS out of it P1.882 billion Corporate Operating Budget (COB), thus unable to satisfy the 5% of the COB requirement. Also, upon scrutiny of the provided copy of the Budget Utilization Request Slips (BURSs) the total cost incurred/disbursed only amounted to P2.145 million (including direct cost and PS attribution of P1.446 million and P0.668 million, respectively).

16.6. Further, the GPB was not endorsed by PCW. It was noted that at the time the GPB was returned for revision, the GPB encoder was indisposed and on series of sick leaves and the GAD Technical Working Group (TWG)/Secretariat had not designated or assigned from among them the task of monitoring the submitted GPB. Consequently, the given schedule by PCW to comply with the requirements lapsed.

16.7. Notwithstanding the absence of PCW endorsed GPB, based on the TPB's GAD Accomplishment Report it was observed that there were programs that were partially and not implemented. Details are presented in Table 12. The non-implementation of these GAD PAPs defeated the intent of the programs to pursue gender equality within the Agency.

Table 12 – Partially and Not Implemented Projects

GAD Activity	Approved Budget	Actual Expenditure	Remarks
Production of IEC Materials	P650,000	P40,600	The other brochures will be disseminated next year 2020
Improvement of Office space and equipment	300,000	-	Not implemented due to limited space in the office and changes of administration.
Provision of medical and other services including health education, counselling, lectures and orientation, etc. Monthly health forum for TPB personnel	220,000	-	Not implemented because the focus of the GAD projects and programs must be aligned to the Agency's mandate.

16.8. Further, audit on the implementation of the GAD by the TPB showed that the Agency was not able to conduct gender analysis and gender audit. It is important for the Agency to be able to effectively plan and implement GAD.

16.9. **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;**

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-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;**

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**

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.**

16.10. Management informed the Audit Team that TPB's 2020 GPB was endorsed by PCW.

COMPLIANCE WITH TAX LAWS

17. 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 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.

17.1. Presented hereunder are the applicable laws and BIR rules and regulations:

a. Section 9 of RA No. 10963, which amended the pertinent provision of Section 32 of NIRC, requires 13th month pay and all other benefits exceeding P90,000 be included in the gross compensation subject to the computation of Income Tax due.

b. Also, the following Sections of NIRC are instructive:

b.1. Section 68 provides all persons, corporations or duly registered co-partnerships (companies colectivas), in whatever capacity acting, including employees making payment to another person, corporation or duly registered general co-partnership (compania colectiva), of interests, rents, salaries, wages, premiums, annuities, compensations and the like are authorized and required to render a true and accurate return to the Commissioner.

b.2. Section 79, Income tax collected at source, requires every employer making payment of wages to deduct and withhold tax in accordance with the rules and regulation except in the case of a minimum wage earner.

b.3. Section 80, Liability for tax, imposes liability to the employer in case they failed to withhold and remit the correct amount of tax. In such case, the tax shall be collected from the employer together with the penalties.

b.4. Section 83, Statement and Returns, requires every employer to deduct and withhold the taxes in respect of the wages of his employees and shall submit to the Commissioner an annual information return containing a list of employees, the total amount of compensation income of each employee, the total amount of taxes withheld therefrom during the year.

17.2. As discussed in Observation No. 9, TPB paid traditional bonuses to its regular personnel totaling P12,772,753; however, as evidenced by Disbursement Vouchers (DVs), payroll registers and other attachments, the applicable taxes required to be withheld on these bonuses were not made. Also, at year-end, their bonuses were not included in the computation of individual income tax as can be inferred from the submitted Alphalist to the BIR and in the Individual Tax Return (ITR). Thus, understating the income tax due and thereby causing loss to the National Government. The non-withholding and payment of the income tax to the BIR are contrary to Sections 79 & 80 of the NIRC, while the non-disclosure of these bonuses in the Alphalist and ITR are in violation to Sections 68 and 83 thereof.

17.3. As per inquiry with the Accounting Department, the traditional bonuses were not subjected to income tax since they were unaware that these bonuses should be declared in the total compensation subject to income tax. Also, it has been the practice of TPB not to tax these traditional bonuses.

17.4. Applying the foregoing, aside from the fact that the government was deprived of the collection arising from the applicable taxes, the TPB and its employees are likely to be subjected to assessment for tax deficiencies including interests, penalties and surcharges.

17.5. **We recommended that Management require the concerned Accounting Department personnel to:**

a. Attend seminars/trainings on the latest relevant laws, rules and regulations related to taxes on compensation;

b. File an amended Alphalists and Income Tax Return and pay the deficiency taxes;

c. Properly withhold taxes on allowances and 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.

17.6. Management informed the Audit Team that TPB acted in good faith by not deducting any taxes from the traditional bonuses since it is by nature a form of financial assistance. Nonetheless, TPB commits to comply with the recommendation to deduct any taxes due and to proceed with the remittance to the BIR as may be warranted under existing factual circumstances.

17.7. As a rejoinder, the Audit Team appreciated the commitment of Management to comply with the recommendations. Their full compliance will be monitored in CY 2020 audit.

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

18. 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

19. As of December 31, 2019, there were no unsettled audit charges. The details and status of the unsettled suspension and disallowance at year-end in the amount of 80.640 million and P1.561 billion, respectively, is presented in Table 13.

Table 13 – Details of Audit Suspension and Disallowance

Date	Number	Particulars	Amount	Status
Notice of Suspension (NS)				
March 1, 2019	NS No. 19-001 (2018)	Grant of financial sponsorship in the absence of complete supporting documents	P 80,640,172.80	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

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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

Of the 71 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 25 were fully implemented, 35 were partially implemented and 11 were not implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
2018 AAR **Financial** Audit Observation (AO) No. 1 Page 56	Unsupported bank credits totaling P21.149 million were recognized in the books as Service and Business Income despite of non-submission of documents by the Payees and Project Officers to support the direct deposits made, thus the correctness of the total income for the year ended December 31, 2018 could not be established, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.	We recommended and Management agreed to:	
		a. Direct the Accounting Department to demand from the Project Officers concerned to submit the required documents in support of the P21.149 million bank credits and effect necessary adjustments in the books;	Partially Implemented. Verbal demands were made to various Project Offices. However, there were some who have not complied with the submission of the documents.
		b. Henceforth, direct the Project Officers to submit regularly to the Accounting Department the registration forms, deposits slips submitted by payee-participants, and other supporting documents to facilitate the recording; and	Fully Implemented.
		c. Review the TPB's Collection process for improvement and devise a policy to ensure that all collections are duly accounted, supported, immediately reported and completely/ properly recorded in the books.	Partially Implemented. There is an ongoing review of the collection process.
AO No. 2 Page 58	The Cash-in-bank account with balance of P788.788 million as at December 31, 2018 is misstated in the aggregate amount of P5.650 million due to non-recording of Bank	We recommended and Management agreed to:	
		a. Comply with Sections 5 and 6, Chapter 21 of GAM, Volume I;	Partially Implemented. The herein observation is updated and reiterated in Part II –

Reference	Observations	Recommendations	Actions Taken/ Comments
	Credit and Debit Memoranda shown in the bank statements totalling P5.145 million and P0.505 million, respectively, contrary to Sections 5 and 6, Chapter 21 of Government Accounting Manual (GAM), Volume I.		Observation No. 1 of this Report.
		b. Require the Accounting Department to record the unidentified CMs in the books of accounts in accordance with the RCA for Government-Owned and Controlled Corporations prescribed under COA Circular No. 2015-010 dated December 1, 2015;	Not Implemented.
		c. Follow up with the concerned depository bank the TPB's inquiry and the status of the request for copies of the Bank CMs and DMs. Consequently, require the Accounting Department to make necessary adjustments once CMs and DMs are furnished by the bank; and	Partially Implemented.
		d. Henceforth, direct the Accounting Department to conduct regular reconciliation of the cash in bank balances, scrutinize and investigate the reconciling items and record/adjust in the books all reconciling items found to be valid.	Partially Implemented.
AO No. 3 Page 60	The faithful representation of the balance of Inter-agency Receivables - Due from National Government Agencies (NGAs) account as at December 31, 2018 of P367.732 million was not	We recommended that Management: a. Demand from the implementing agencies the liquidation of the fund transfers totaling P307.313 million as the purpose for which these	Partially Implemented The herein observation is updated and reiterated in Part II – Observation No. 2 of

Reference	Observations	Recommendations	Actions Taken/ Comments
	established due to: (a) fund transfers totaling P307.313 million remained unliquidated even if the purpose for which these were granted had been completed, resulting in unrecognized expenses in prior years of the used funds; (b) unreconciled variance of P60.419 million between the General Ledger (GL)/Subsidiary Ledger (SL) and TPB Status Report of Fund Transfers (with Aging) as of December 31, 2018; (c) variances of P95.746 million between the balances from the different Department of Tourism (DOT) Implementing Offices and the Status Report of Fund Transfers as a result of confirmation; (d) existence of abnormal (negative) balance aggregating P18.709 million; and (e) recording of P6.980 million even when there was no fund transfer made to Philippine DOT China, resulting in the overstatement of Due from NGAs by the same amount.	were granted had already been completed to enable 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;	this Report.
		b. Instruct the Accounting Department to:	
		b.1 Determine: (i) the cause(s) of the variances between the balances of GL/SL vis-a-vis Status Report of Fund Transfers vis-a-vis DOT Implementing Offices and (ii) the nature of the negative (abnormal) balances on the Due from NGAs account and effect necessary adjustments/ corrections on the books and records;	Partially Implemented.
		b.2 Make necessary adjustment to correct the recording of P6.980 million as there was no fund transfer made to PDOT China;	Fully Implemented.
		b.3 Maintain SL for each PDOT Office/ Regional Office and	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		regularly reconcile the SLs with the GL;	
		b.4 Furnish the DOT Head Office Accounting with copies of the Journal Entry Vouchers (JEVs) on the grant of the fund transfers and ensure that an OR is issued as acknowledgement of receipt of fund;	Not Implemented.
		b.5 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	Not Implemented.
		b.6 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. Coordinate with the DOT and other Implementing Agencies to ensure strict	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		compliance/ implementation of the guidelines on fund transfers, specifically COA Circular No. 94-013 and the MOA;	
		d. Address the problems encountered in the granting of fund transfers to implementing agencies; revisit and update TPB's policies/standard operating procedures in the implementation of projects coursed through DOT and other government agencies/parties, for proper execution by all concerned officers and employees;	Partially Implemented.
		e. Consider amending the MOA with DOT to include the following provisions:	
		e.1 The Secretary of DOT / Chairman of TPB be duly informed on fund transfers by providing copies of: (1) the MOA and evidence of fund transfers for any projects to be implemented coursed through DOT, and (2) Status Report of Outstanding Balances per Accountable Officers, on semestral basis;	Fully Implemented. The enumerated recommendations that were for inclusion in the MOA with DOT were taken into account in the preparation of the draft mother MOA with DOT.

Reference	Observations	Recommendations	Actions Taken/ Comments
		e.2 The DOT shall inform TPB of the Accountable Officers' (PDOT TA/MR & Regional Directors) movement (transfer, retirement, resignation, etc.); and	Fully Implemented.
		e.3 The Accountable Officers (PDOT TA/MR & Regional Directors) shall secure Clearance from TPB, in case of transfer, retirement, resignation, etc;	Fully Implemented.
		f. Consider the possibility that the DOT Secretary be a signatory to the MOA; and	Fully Implemented.
		g. Furnish COA copies of pertinent policies, board resolutions, strategic plans and other relevant supporting documents addressing the issues on fund transfers.	Fully Implemented.
AO No. 4 Page 68	The faithful representation of the balance of Financial Liabilities - Accounts Payable (A/P) account of P306.899 million as at December 31, 2018 was not established due to: (a) adjustments to close the abnormal balances totalling P189.637 million were not supported with pertinent documents/ reports; (b) recorded transactions in the total	We recommended that Management:	
		a. Designate a personnel that would permanently handle and monitor the A/P Account;	Not Implemented. The herein observation is updated and reiterated in Part II – Observation No. 4 of this Report.
		b. Direct the Accounting Department to:	
		b.1 Determine the nature	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	amount of P30.770 million were not duly supported with contracts and documents; (c) variance of P5.232 million between books and confirmed amount from one of the suppliers. Likewise, the A/P account was misstated in view of: (a) various payments totaling P29.243 million were recorded under Accumulated Surplus/(Deficit) account instead of deductions to A/P account; and (b) non-accrual of various unpaid expenses aggregating P28.289 million which understated the A/P account at year-end by the same amount. These were all contrary to Paragraph 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of PPSAS 1.	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 supported with relevant documents before effecting adjustments in the books;	
		b.2 Submit to the Audit Team the contracts and documents to support the recorded amount of P30.770 million in the A/P account and, make necessary adjustment on recorded amounts which differed from supporting invoices;	Partially Implemented.
		b.3 Recognize payables in the books only when TPB becomes a party to the contractual provisions of an instrument in accordance with PPSAS 29;	Partially Implemented.
		b.4 Reconcile the variance of P5.232 million between the records of contractor and the amount recorded in the	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		books, and effect adjustment, if warranted;	
		b.5 Make necessary adjustment on the various payments totaling P29.243 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	Not Implemented.
		b.6 Accrue all unpaid expenses for the year to avoid restatement of the financial statements due to prior period adjustments;	Partially 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; and	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		d. Make necessary adjustment in the books to record the understatement of P1.945 million representing cost of audit services.	Fully Implemented.
AO No. 5 Page 73	The Advertising, Promotional, and Marketing Expenses (APME) account totaling P722.147 million as at December 31, 2018 was misstated due to: (a) transfers of funds to Implementing Agencies totaling P64.315 million were recognized as APME instead of Due from NGAs, contrary to Section 63, Chapter 6 of GAM, Volume I; (b) set-up of previously reverted A/P amounting to P103.350 million representing expenditures in prior years was debited to APME account instead of adjustment to Accumulated Surplus/(Deficit) account; (c) understatement of APME in the amount of P0.987 million due to error in recording unused inventory. Likewise, the propriety of the payments to foreign suppliers totaling P75.945 million recognized as APME was doubtful due to absence of Official Receipts, contracts and other relevant documents as proofs of inspection, acceptance and validation of the	We recommended that Management direct the Accounting Department to:	
		a. Take appropriate trainings on government accounting and related topics including PPSASs;	Fully Implemented.
		b. Make the necessary correcting entries on the various erroneous entries made under APME and other affected accounts;	Fully Implemented.
		c. Be extra careful in recording the transactions in the books of accounts;	Fully Implemented.
		d. Submit to the Audit Team the documents pertaining to the payments made to foreign suppliers totaling P75.945 million, such as, ORs, contracts, Inspection and Acceptance Reports, validation reports of the actual accomplishments *vis-à-vis* the stipulated deliverables; otherwise, a Notice of Suspension will be issued; and	Partially Implemented. TPB was able to submit documents equivalent to the aforesaid requirements to validate the validity of the transactions and propriety of recording the same. In view of the fact that these are foreign suppliers and mostly booth rental, equivalent documents were accepted to support the payments.
		e. Henceforth, ensure that all Journal Entry Vouchers (JEVs) and payments are	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	deliverables vis-à-vis actual accomplishments.	adequately/sufficiently supported with necessary documents.	
AO No. 6 Page 76	The correctness of the Allowance for Impairment on the Receivables account amounting to P9.759 million could not be established since there were no aging schedules/documents to identify the impaired accounts and there was no assessment made in CY 2018 to determine if there were indications of impairment, contrary to Paragraphs 67 and 68 of PPSAS 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 that Management:	
		a. Develop a policy on the setting up of impairment of accounts pursuant to pertinent paragraphs of PPSAS 29; and	Not Implemented. The herein observation is updated and reiterated in Part II – Observation No. 3 of this Report.
		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	Not Implemented.
		b.2 Locate the supporting documents of the receivables outstanding for more than one (1) year totalling P2.435 million and reassess their collectability.	Partially Implemented.
AO No. 7 Page 78	Due from Non-Governmental Organization (NGO)/	We recommended that the Accounting Department effect the necessary	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	People's Organization (PO) and Accumulated Surplus/(Deficit) accounts were overstated by P1.500 million due to non-recognition of the related expense accounts in CY 2017 despite the submission of the liquidation/ required documents by the recipient of the funds, contrary to Paragraph 7 of PPSAS 1.	adjustment to correct the balances of the affected accounts.	
AO No. 8 Page 79	The accuracy of the balance of the Inventory Account of P27.517 million as at December 31, 2018 was doubtful due to: (a) variance of P0.440 million between the recorded amount of issuance per General Ledger (GL) of P19.189 million and the supporting Report of Supplies and Materials Issued (RSMI) of P18.749 million; (b) variances of P0.507 million and P0.664 million between the balance per GL and per Report on the Physical Count of Inventories (RPCI) and the RPCI and per Stock Cards (SC), respectively; (c) double recording of Other Supplies and Materials Inventory account amounting to P2.190 million. Likewise, there were inconsistencies in the recording of payments totalling P3.172 million to Accu-Map, Inc. for the printing and production of five (5) destination	We recommended that Management: a. Direct the Accounting Department and the Property/Inventory Custodian to reconcile the variances:	
		a.1''between issuance of Inventory per GL and RSMI by tracing all issuances recorded in the SCs supported by appropriate RIS and provide the Audit Team with the report on reconciliation duly supported;	Fully Implemented.
		a.2 between the total of the RPCI and the GL/Trial Balance; and	Fully Implemented.
		a.3 make adjustments on the books or corrections on the Inventory Reports, if necessary;	Fully Implemented.
		b. Require the Property Custodian to reconcile	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	brochures (Davao City and Samal Island, Palawan, Iloilo City and Guimaras Island, Subic and Clark, Surigao City and Siargao Island), contrary to Paragraph 16 of PPSAS 3.	the RPCI with the SCs and maintain SC for each inventory item; and	
		c. Instruct the Accounting Department to make necessary adjustments/ correcting entries on the:	
		c.1 Double recording of Other Supplies and Materials Inventory account of P2.190 million; and	Fully Implemented.
		c.2 Inconsistencies in the recording of payments made to Accu-Map, Inc. in the amount of P3.172 million.	Fully Implemented.
<u>Compliance</u>			
AO No. 9 Page 83	The propriety and legality of expenditures totaling P80.640 million incurred on the “Buhay Carinderia” Project, implemented in CY 2018, were doubtful due to: (a) the total cost of the contract for the project was charged to the CY 2017 budget though it was not included in the Annual Procurement Plan (APP) and Project Procurement Management Plan (PPMP) for CYs 2017 and 2018, contrary to Sections 7.1 and 7.2 of Republic Act (RA) No. 9184 or the Government Procurement Reform Act; (b) no actual savings in CY 2017 budget as the receipts vis-à-vis expenditures registered an overdraft of P256.314	We recommended that Management:	
		a. Strictly comply with Sections 7.1 and 7.2 of RA No. 9184 and Section 85(1) of PD No. 1445;	Fully Implemented.
		b. Henceforth, ensure that all projects to be implemented by TPB are included in the APP/PPMP and COB;	Partially Implemented.
		c. Require the MII to refund the amount for final VAT amounting P3.600 million which was not deducted in the final payment of the contract on Buhay Carinderia Project for remittance to the BIR; otherwise, a Notice of Disallowance shall be issued;	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	million, but still said Project was charged to the budgetary allocation of said year, contrary to Section 85(1) of PD No. 1445; (c) non-deduction of five (5) per cent Final Value Added Tax (VAT) equivalent to P3.600 million from Marylindbert International, Inc. (MII), in violation of Section 114 of the National Internal Revenue Code (NIRC); and (d) various provisions of the MOA that were disadvantageous to the government.	d. Ensure that the contract entered into with the proponent is not onerous/ disadvantageous to the government, exercise due diligence in the utilization of government funds;	Partially Implemented.
		e. Require MII to submit: (i) the liquidation reports duly supported with relevant documents of all tranches paid/released by TPB in the total amount of P80.640 million; otherwise, a Notice of Suspension shall be issued, and (ii) details and supporting documents relative to its 20 per cent equity share on total cost of the Project; and	Partially Implemented. A Notice of Suspension (NS) was issued by the COA Audit Team. In view of the non-submission of all the required documents stated in the NS within the reglementary period, a Notice of Disallowance will be issued.
		f. Identify the persons liable to this onerous contract and institute appropriate legal action against them, if warranted.	Partially Implemented.
AO No. 10 Page 88	The TPB was unable to properly safeguard/ protect its interest when it did not require I.A.G.T.O Ltd. to submit the: (a) Work and Financial Plan (WFP); (b) 20% proof of equity (POE); and (c) Audited Financial Statements (AFS) or their equivalent to determine the reasonableness of the contract amount of P45.650 million, in violation to Section 2 of PD No. 1445 and COA Circular No. 2012-001.	We recommended that Management:	
		a. Direct all responsible officers in the review of contract to require the submission of the necessary documents as enumerated in TPB's uncontrolled form, with No. QF-LEGD-01 Rev-00, otherwise NS/ND shall be issued by the Audit Team; and	Fully Implemented.
		b. Exercise due care in reviewing the contract	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		particularly the reasonableness of the amount to be extended as financial sponsorship.	
AO No. 11 Page 90	The reasonableness and validity of the nineteen (19) Financial Sponsorship contracts totaling P34.195 million and the proper implementation thereof could not be established due to: (a) incomplete documents as required in TPB ISO 9001:2015 uncontrolled form No. QF-LEGD-01 Rev-00 and the contract of sponsorship; and (b) absence of guidelines to determine the amount to be extended and the manner of the grant, contrary to Section 2, PD No. 1445.	We recommended that Management:	
		a. Submit the required documents to support disbursements made for 19 financial sponsorship contracts; otherwise, a Notice of Suspension shall be issued and, henceforth, require the Accountant to ensure that all the required documents are submitted and obtained before payment be made; and	Partially Implemented. Out of the 19 sponsorship contacts, 16 of which totaling P28.914 million were substantially complied with by TPB.
		b. Formulate/issue policy/ guidelines on the grant of financial sponsorship, to include, among others, the following:	TPB has developed guidelines locally including institutional projects which were approved by the Governing Board and already functional under the Domestic Department
		b.1 The limit of financial sponsorship to be granted on a specific event or project;	Partially Implemented.
		b.2’’That all financial sponsorship be on a reimbursement basis to avoid cases of unliquidated funds and prevent the risks of mishandling of government funds; and	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		b.3 Comprehensive guide in determining the reasonableness of the amount to be extended.	Partially Implemented.
AO No. 12 Page 95	Financial sponsorship/ assistance granted to a Local Government Unit (LGU) totaling P2 million remained unliquidated since October 2017, contrary to the pertinent provisions of the MOA.	We recommended that Management send demand letter to the City Government of Bacoor for the immediate liquidation of the financial assistance for Musiko 2017.	Fully Implemented.
AO No. 13 Page 96	The propriety and the reasonableness of the procurement contracts totaling P22.961 million for entertainment production and lease of venues were doubtful due to the following: (a) contracts entered into by and between RRM Entertainment Production (a local company) and PDOT – Frankfurt costing P9.755 million, as performers and other various procurements totaling P9.179 million did not undergo the usual procurement process as required by RA No. 9184 and Annex H of its 2016 Revised IRR; (b) procurements for the lease of venue totaling P4.027 million were not supported with complete documents and did not undergo proper procedures on the procurement of venue for lease as required under Item 9, Lease of Real	We recommended that Management: a. Require all concerned to comply strictly with the provisions of RA No. 9184 and its 2016 Revised IRR, COA Circular Nos. 2012 - 001 and 2012 - 003; b. Henceforth, require the BAC to undertake the procurement process, if the supplier will be a Philippine Corporation/ entity, to ensure that the procurements are in accordance with the requirements of RA No. 9184 and its Revised IRR; c. Submit the documents to support procurement for lease of venue as enumerated in Annex H, 2016 Revised IRR of RA No. 9184 and COA Circular No. 2012-001 to avoid issuance of a Notice of Suspension;	 Partially Implemented. Fully Implemented. Partially Implemented. Out of the said amount, only the documents for P1.175 million procurements were submitted to the Audit Team as of December 31, 2019. Hence, a

Reference	Observations	Recommendations	Actions Taken/ Comments
	Property and Venue, Annex H, of the 2016 Revised IRR. Likewise, lease of venue/ accommodation to a luxury hotel totaling P1.253 million could be considered extravagant in line with COA Circular No. 2012-003.	and d. Stop the practice of using luxury hotels as venue for meetings and events to avoid disallowance in audit.	corresponding Notice of Suspension will be issued. Partially Implemented.
AO No. 14 Page 101	TPB resorted to direct contracting for the procurement of five (5) Destination Map Brochures with a total contract price of P6.345 million despite it was against the opinion of its Legal Department and, there was no study/survey conducted to determine that there were no sub-dealers selling at lower prices and for which no suitable substitute can be obtained at a more advantageous terms to the government, contrary to Section 50 of the Revised IRR of RA No. 9184. Moreover, there was already payment of P2.538 million, equivalent to 40% of the contract price, made to the Contractor even without the delivery of the goods procured, contrary to Section 88 of PD No. 1445 and Section 4 of the Revised IRR of RA No. 9184.	We recommended that Management: a. Strictly comply with the provisions of the Revised IRR of RA No. 9184, on the procurement of goods and Section 88 of PD No. 1445, on advance payment; b. Cause the immediate refund/return of the 40% advance payment in the amount of P2.538 million, otherwise a Notice of Disallowance will be issued; and c. Hold accountable the persons involved in the procurement of five (5) Destination Map Brochures.	 Partially Implemented. Not Implemented. This is for issuance of a Notice of Suspension by the Audit Team. Not Implemented.
AO No. 15 Page 103	The Cashier was not sufficiently bonded, contrary to Treasury Circular No. 02-2009;	We recommended that Management accurately assess the total maximum accountability of the Cashier	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
	thus, exposes TPB of not being fully indemnified in case of loss of government funds through theft or misappropriation.	and ensure that the amount of her bond is enough to cover her actual cash accountability, pursuant to Treasury Circular No. 02-2009.	
AO No. 16 Page 105	The TPB was unable to allocate at least five (5) per cent of its Corporate Operating Budget (COB) for GAD programs, projects and activities (PAPs); the CY 2018 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, all in contrary to the provisions of Republic 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.	We recommended that Management:	
		a. Allocate, through attribution, at least 5% of the total annual COB 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;	Not Implemented. The observation is updated and reiterated in Part II – Observation No. 16 of this Report.
		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-NEDA-DBM Joint Circular No. 2012-01;	Not Implemented.
		c. Direct the GAD Focal Point System to:	
		c.1 Plan and require the Heads of implementing department/ offices to ensure that GAD PAPs are implemented as planned to attain the GAD objectives; and	Partially Implemented.
		c.2 Ensure compliance with the guidelines for the preparation of Annual GPB and AR to implement the	Partially Implemented.

Reference	Observations	Recommendations	Actions Taken/ Comments
		Magna Carta of Women; and	
		d. 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.	Partially Implemented.

ANNEXES

FUND TRANSFERS TO VARIOUS PDOT TAs/MRs WITH LACKING OFFICIAL RECEIPTS FROM IMPLEMENTING AGENCIES AND/OR CERTIFICATIONS THAT PREVIOUS CASH ADVANCES HAVE BEEN TRANSFERRED OR LIQUIDATED

DV Number	Payee	Amount
2018-12-2250	PDOT Taiwan c/o Hazel Habito-Javier	P 5,455,569.91
2019-01-043	DOT - Frankfurt c/o Margarita Patricia R. Valdes Boot Dusseldorf 2018	12,172,864.83
2019-01-058	DOT - Frankfurt c/o Margarita Patricia R. Valdes Museum Surf Fest 2018	4,800,503.01
2018-12-2252	PDOT Sydney c/o Norjamin Delos Reyes	3,511,311.32
2019-03-742	PDOT-London	3,506,700.28
2019-04-830	PDOT-Tokyo	4,854,213.83
2019-04-851	PDOT-Frankfurt	4,722,687.89
2019-05-1266	PDOT-Korea c/o Liliosa Libosada	6,638,206.84
2019-06-1286	PDOT-San Francisco	3,224,389.24
2019-06-1416	PDOT-Shanghai c/o Warren S. Palacio	6,373,119.79
2019-05-1214	PDOT-Tokyo	10,867,411.18
2019-06-1414	PDOT-London c/o Gerard O. Panga	2,108,759.19
2019-08-1931	PDOT-Beijing c/o Genesis Renos	3,141,887.67
2019-11-2667	PDOT New York	7,700,000.00
2019-11-2604	PDOT Malaysia c/o Ong Sun Yan	1,800,000.00
2019-10-2205	PDOT London c/o Gerard O. Panga	26,618,678.58
2019-04-913	PDOT-Tokyo	750,000.00
2019-03-744	PDOT-Sydney	549,271.33
2019-04-0881	PDOT-Osaka c/o Maria Leona D. Nepomuceno	966,890.53
2019-05-1008	PDOT-Korea c/o Liliosa Libosada	5,250,000.00
2019-02-237	PDOT-Frankfurt c/o Margarita Patricia R. Valdes	40,995,755.76
2019-08-1740	PDOT-London c/o Gerard O. Panga	1,179,142.97
2019-08-1737	PDOT-Korea c/o Liliosa Libosada	444,272.82
2019-08-1723	PDOT-Korea c/o Liliosa Libosada	5,219,733.02
2019-07-1684	PDOT-Sydney c/o Normjamin Delos Reyes	6,330,983.16
2019-07-1648	PDOT-Shanghai c/o Warren Palacio	4,264,015.20
2019-07-1637	PDOT-Shanghai c/o Warren Palacio	6,919,926.37
2019-08-1846	PDOT-Taipei c/o hazel Habito Javier	3,904,655.56
TOTAL		P184,270,950.28

OTHER DEFICIENCIES NOTED IN THE AUDIT OF DUE FROM NGAS

A. No MOA

DV No./ Liq. No	Particulars	Amount
2019-05-1008	PDOT-Korea c/o Liliosa Libosada	P 5,250,000.00
LV No. 2019-04-101-B	Partial Liquidation Sales Mission 2018	205,959.24
LV No. 2018-01-003-E	Philippine Business Mission 2014/ Asia Pacific Festival 2014 savings to cover payment for the Brochure Support for October 2016- March 2017*	1,320,190.28
Total		P6,776,149.52

B. Unsigned/ Lacking Signature of MOA

DV No. / Liq No.	Particulars	Amount	Remarks
2019-02-237	PDOT-Frankfurt c/o Margarita Patricia R. Valdes -Project funds for ITB Berlin	P40,995,755.76	MOA is not signed by both parties
2019-07-1684	PDOT-Sydney c/o Normjamin Delos Reyes - Project funds in connection with the Philippine Business Mission (PBM) 2019 in Australia on 01-04 October	6,330,983.16	MOA is not signed by TPB COO
2019-08-1846	PDOT-Taipei c/o Hazel Habito Javier - Project funds in connection with the PR Agency of the Philippine Department of Tourism Office in Taiwan for the period 1 Aug 2019 to 01 Aug 2020	3,904,655.56	MOA is not signed by TPB COO
LV No. 2019-01-016	PDOT Australia c/o Eleanor A. Palima - Philippine Club Tours Golf Fam Tour 2018	P 228,748.33	MOA is not signed by TPB COO
Total		P51,460,142.81	

C. Transactions Commenced Prior to Execution of MOA

DV No. / Liq No.	Particulars	Amount	Remarks
DV No. 2019-03-744	PDOT-Sydney Reimbursement of project funds in connection with the OZAsia Arts Festival held last 31 October to 6 November 2018 in Adelaide, Australia	P 549,271.33	PDOT Sydney already entered into contract to The Adelaide Festival Centre Trust on October 19, 2018 prior to agreement with TPB. The MOA between PDOT Sydney and TPB authorizing PDOT to enter into contract was dated October 24, 2018
LV No. 2019-03-065-A	Partial Liquidation- Engagement of Services of Marketing Com. & Media Rel. Company (2018-2019)	582,506.00	PDOT Sydney already entered a contract with the service provider dated September 28, 2018 prior to TPB-PDOT MOA dated October 26, 2018
LV No. 2019-10-335	PDOT New York – Partial Liquidation of USD 373,437.69 (P19, 106,565.97) - Staging of Philippine Pavillion in Ottawa Event Date: November 20 -	12,207,073.45	The MOA was dated December 5, 2017 and signed by Purificacion Molintas. The event date was November 20 to December 2017. Susan Del

DV No. / Liq No.	Particulars	Amount	Remarks
	December 8, 2017 Fund Transfer to thru Ms. Purificacion Molintas; Liquidated by Ms. Susan Del Mundo		Mundo has assumed office in November 20, 2017 as PDOT Acting Tourism Attache
Total		P13,338,850.78	

D. Approved Budget of Projects beyond the PPMP Budget

DV No.	Particulars	Amount	Remarks
2018-12-2250	PDOT Taiwan c/o Hazel Habito-Javier	P 5,455,569.91	Not within the budget of P5,057,944.51 (PPMP), budget breakdown P5,689,655.40
2019-01-043	DOT - Frankfurt c/o Margarita Patricia R. Valdes Boot Dusseldorf 2018	12,172,864.83	Not within the budget for Germany of P10,200,384.18 PPMP (event budgeted at P4,972,415), Excess charged to North America
2019-01-058	DOT - Frankfurt c/o Margarita Patricia R. Valdes Museum Surffest 2018	4,800,503.01	Not within the budget for Germany of P10,200,384.18 PPMP (event budgeted at P5,440,384.18)
Total		P22,428,937.75	

E. Delayed fund transfers

DV No.	Particulars	Amount	Remarks
2019-06-1415	PDOT- Shanghai c/o Warren Palacio – TPB's participation in Incentive Travel and Conventions, Meetings (IT&CM) China 2019 , March 2019	P3,996,638.69	The contract between TPB Shanghai was entered into on March 4, 2019. The fund transfer was done on July 5, 2019 after a letter of payment reminder with possible litigation to PDOT Shanghai was given by the supplier/provider
Total		P3,996,638.69	

Unrecorded Accounts Payable

References	Nature	Amount
ADA Disbursements		
January		
2020-01-011	Reimbursement of Daily Subsistence Allowance relative to her official travel to Seoul, Korea to attend Korea World Travel Fair (KOTFA) 2019 on June 6-9, 2019.	P 89,391.78
2020-01-015	Payment for overtime services of TPB regular employees for the month of December 2019.	132,702.84
2019-12-2848	Payment for CY 2019 Uniform/Clothing Allowance of 2 TPB employees.	12,000.00
2019-12-2846	Reimbursement of project funds relative to Philippine Independence Day in Australia 2019 held on 08-12 June 2019 in Perth, Canberra and Sydney.	856,629.56
Sub-total		1,090,724.18
February		
2020-02-0062	Payment for janitorial services rendered for the period of Dec 1-15, 2019.	140,188.37
2020-02-0068	Reimbursement re Windows to the World 2019 held last October 19, 2019	507,547.84
	Reimbursement of 30% re: Philippine Tourism Caravan 2019 held last November 16-December 1, 2019	736,505.78
Sub-total		1,384,241.99
Check Disbursements		
418218	Rental Cost of Plants Period Nov. 24 - Dec. 23, 2019	33,160.00
418235	Purchase of Office Supplies re MICE Invitational Buyers	70,089.00
418236	Photography services during the New Boracay Photo shoot	240,000.00
418239	Administration of Written Assessment 2 TPB Candidates	9,500.00
418300	Reimbursement re Adventure Destinations Fam Tour	121,804.00
418302	Payment of PEZA Units for electrical consumption for November 2019 and association dues for December 2019	197,841.79
418320	Intl. Air shipment Services re Seoul Friendship Festival	24,355.00
418345	Last Salary for the Period Nov. 1-15, 2019	10,350.77
418348	Contract Price re Web Hosting & Maintenance PHITEX	90,800.00
418349	Foreign Language Interpreters re MICECON 2019	263,348.00
418350	Accommodation re PHITEX & MICECON 2019	1,954,304.62
418351	Booth Design & Construction re IT&CMA 2019	7,952,000.00
Sub-total		10,967,553.18
Total		P13,442,519.35

Unrecorded Expenses based on Test of Cut-Off

References	Nature	Amount
ADA Disbursements		
January		
2020-01-011	Reimbursement of Daily Subsistence Allowance relative to her official travel to Seoul, Korea to attend Korea World Travel Fair (KOTFA) 2019 on June 6-9, 2019.	P 89,391.78
	Final payment of balance for the additional expenses incurred at the Philippine booth relative to DEMA Show held on 13-16 Nov 2019 at Orange County Convention Center, Florida, USA.	1,845.77
2020-01-015	Payment for overtime services of TPB regular employees for the month of December 2019.	132,702.84
2019-12-2848	Payment for CY 2019 Uniform/Clothing Allowance of 2 TPB employees.	12,000.00
2019-12-2846	Reimbursement of project funds relative to Philippine Independence Day in Australia 2019 held on 08-12 June 2019 in Perth, Canberra and Sydney.	856,629.56
February		
2020-02-0062	Payment for janitorial services rendered for the period of Dec. 1-15, 2019.	140,188.37
March		
2020-03-0095	Payment for the services of a booth contractor relative to International Tourismus Borse (ITB) Asia 2019 last 16-18 October 2019.	3,051,000.00
2020-03-0112	Reimbursement of project fund re: DOT Taiwan Year End Dinner Meeting with Reef Agents on Dec. 13, 2019.	971,161.51
2020-03-0112	Reimbursement of DSA re: SM Xiamen Philippine Cultural Week last 27 Nov. to 03 Dec. 2019	10,373.40
Check Disbursements		
February		
418218	Rental Cost of Plants Period Nov. 24 - Dec. 23, 2019	33,160.00
418235	Purchase of Office Supplies re MICE Invitational Buyers	70,089.00
418236	Photography services during the New Boracay Photo shoot	240,000.00
418239	Administration of Written Assessment 2 TPB Candidates	9,500.00
418300	Reimbursement re Adventure Destinations Fam Tour	121,804.00
418320	Intl. Air shipment Services re Seoul Friendship Festival	24,355.00
418345	Last Salary for the Period Nov. 1-15, 2019	10,350.77
418348	Contract Price re Web Hosting & Maintenance PHITEX	90,800.00
418349	Foreign Language Interpreters re MICECON 2019	263,348.00
418350	Accommodation re PHITEX & MICECON 2019	1,954,304.62
418351	Booth Design & Construction re IT&CMA 2019	7,952,000.00
March		
418362	Web Hosting & Maintenance for PHITEX 2019	68,100.00
418363	Domestic Airtickets re Malaysia Media Fam Tour	147,642.00
418367	TPB Customer Satisfaction Survey (3rd Tranche)	449,935.36
418370	Tour Operator Services re Cebu Pac. Agents Fam Tour	543,108.00
418375	Web Hosting & Maintenance for MICECON 2019	169,400.00
418376	Web Hosting & Maintenance for MICECON 2019	169,400.00
418377	Venue & Meals re SPIA Gala Dinner Sponsorship	2,400,000.00
418382	GFA Fund Replenishment for Philippine Airlines	877,185.40
418393	GFA Fund Replenishment for Philippine Airlines	751,315.21
Sub-total		P21,611,090.59
Liquidation		

References	Nature	Amount
January		
2020-01-022	DSA re: United States Tour Operators Association (USTOA) Annual Conference and Marketplace last 02-06 Dec. 2019	106,080.00
	CA re: briefing and orientation on the Law on Obligations and Contracts and Govt. Contracts and Agreement last 19 December 2019	9,460.00
	DSA re: Expo 2020 Dubai last 09-16 December 2019	130,202.80
	CA re: Asian Federation of Exhibition and Convention Association (AFECA) 14th Annual General Meeting (AGM)	90,637.25
	DSA re: ICCA Asia Pacific Chapter Inaugural Summit 2019 last 4-7 December 2019	29,452.50
	CA re: CSR Program- Metro Manila Leg last 05 Dec. 2019	12,980.50
2020-01-023	CA re: Sustainable Community Based Tourism last August 28 until September 02, 2019	294,698.00
	DSA re: DEMA Show 2019 from 11 to 19 November 2019	105,664.00
	CA re: 2019 International Congress and Convention Association(ICCA) Asia Pacific Inaugural Summit last 05-06 December 2019	13,435.00
	Partial Liquidation or realigned funds of DOT- Frankfurt for various projects	9,600,135.43
	Liquidation of Funds for Taste of London 2019	562,558.43
	Liquidation of Funds Dive Birmingham 2019	2,889,638.50
2020-01-024	Liquidation of Funds Dive Birmingham 2019	14,239,114.85
	Liquidation of Fund Transfer re: Philippine Business Mission- North China last October 21-25, 2019	2,549,252.05
	CA re: ICCA Asia Pacific Chapter Inaugural Summit 2019 last 4-7 December 2019	74,921.55
	Liquidation of Project Funds re: TPB-DOT Korea Joint Ad Campaign with Jeju Air 2019	1,368,531.06
	CA re: PAGBA Seminar on 1-4 May 2019	30,999.00
	Liquidation of Project Funds re: Philippine Showroom-Korea Operations For July- December 2019	2,775,456.77
2020-01-025	Liquidation of Project Funds re: Brochure Support for the Period May to September 2019	1,506,049.02
	DSA re: Philippine's Participation at the World Travel Market last 04-06 November 2019	110,872.39
	CA re: Philippine's Participation at the World Travel Market last 04-06 November 2019	154,303.46
	CA re: TPB Membership Sales Presentation/ Call last Nov 12 to Dec 12, 2019	89,195.51
	Purchasing OCOO's Corporate Giveaways	36,875.00
2020-01-026	Liquidation of Project Funds re: 70th Year Anniversary of RP Rok Bilateral Relations-Media Events 2019	2,165,639.97
	Liquidation of Project Funds re: Hiring of Communications Korea as per the PR Agency (October to December 2019)	1,194,048.74
	Liquidation of Project Funds re: HANA Tour International Travel Show (HITS) 2019	10,711,500.61
	DSA re: TPB's Participation in the World Travel Market 2019 last 4-8 November 2019	110,625.35
	Liquidation of Project Funds re: Philippine Tourism Fair Caravan 2019 last Nov 16- Dec 1,2019	1,800,000.00
	DSA re: Philippine's Participation to Expo 2020 Dubai last 09-16 December 2019	130,202.80
2020-01-027	DSA re: Philippine's Participation to Expo 2020 Dubai last 26 Nov- 1 Dec 2019	110,279.40
	3rd Liquidation of Project Funds for Luxperience 2019	89,211.66
	2nd Liquidation of Project Funds for Philippine Business Mission 2019 (Melbourne and Sydney)	4,885.79

References	Nature	Amount
February		
2020-02-0075	CA re: reimbursement of international air tickets of MICE Buyers for MICE Connect 2019 on 22/28 October 2019	1,000,144.67
	Liquidation of Project Funds for International Tourismus Borse 2019	34,888,736.61
	Partial Liquidation of Project Funds for 2019 Website Maintenance covering the period of April to December 2019	459,618.38
	Liquidation of Project Funds re: Philippine Showroom-Korea Operations for 4th Quarter 2019 (October - December)	2,759,712.26
2020-02-0076	DSA re: Successful Meetings University and Conduct of Sales Calls in New York 23-30 March 2019	139,060.97
	Liquidation of Project Funds re: Mode Tour Travel mart (MTTM) 2019	2,198,997.08
	Liquidation of Project Funds re: Busan International Travel Fair (BITF) 2019	2,238,664.24
2020-02-0077	Liquidation of Project Funds re: Seoul Friendship Festival 2019	259,947.54
	CA re: Meet and Bidder and MICE Sales Calls last 21 & 22 November 2017	77,196.00
	Liquidation re: cost of retirement tokens of the FY 2019 TPB retirees: Ms. Ebron & Mr. Gregorio	37,443.75
2020-02-0078	CA re: New Boracay Photo shoot last 6 to 13 December 2019	81,026.53
	Liquidation of Project Funds re: MICECONNECT 2019 on 20-28 October 2019	496,545.45
	Liquidation of Project Funds re: Jpark Island 10th Anniversary Media Fam Tour 2019	139,912.09
	Liquidation of Project Funds re: Busan International Food Expo (BIFE) 2019	2,483,421.57
	Liquidation of Project Funds re: Website/Mobile Redesign, Redevelopment, Maintenance and Online Marketing October-December 2019 and Supplemental Online Marketing Activities	4,313,805.63
2020-02-0079	CA re: USTO Annual Conference and Market Place in Orlando, Florida, 12/2-6/2019	106,080.00
	Liquidation of Project Funds re: WeChat Online Advertising realigned from the Support to the Charterer for the New Beijing-Cebu Route	1,481,090.09
	CA re: Corporate Social Responsibility & Advocacy in Kidapawan City, 11/14-17/2019	481,894.95
	Liquidation re: DSA-Asian Film Festival & Phil Exhibition in Grand Central Terminal, 05/3-14/2018	170,899.70
	CA re: USTOA Annual Conference and Marketplace in Orlando, Florida on 2-6 December 2019	71,750.37
	Liquidation of Project Funds re: PDOT- Korea / Air Busan Online and Partner Agent's Promotions 2019	2,486,267.19
2020-02-0080	Liquidation of Project Funds re: TPB/ DOT- Korea KTX Advertising Campaign 2019	2,289,078.43
March		
2020-03-0118	Liquidation of Project Funds re: Okinawa Travel Fiesta 2019, Via Magazine, Rakuten and AB Road Projects Funds	5,235,461.00
	Liquidation of Project Funds re: Website Maintenance and Online Marketing for July- December 2019	3,301,393.50
	Liquidation of Project Funds re: Joint Promotion with Tongcheng Holdings	2,181,880.42
2020-03-0119	Liquidation of Project Funds re: Tourism Expo Japan (TEJ) 2019 held on October 24 to 27 2019	10,318,730.09
	Liquidation of Project Funds re: Pasko Festival 2016	582,353.30
	Liquidation of Project Funds re: PR Services (Nov- Dec 2019)	1,130,488.29
Sub-total		134,508,507.48
Grand Total		P156,119,598.07

Payments to Suppliers with Lacking Supporting Documents

DV/CK Number	Month	Amount	Remarks
2019-01-146	January	P 3,946,528.78	No Budget Attached No MOA attached
2019-03-786	April	10,581,817.58	No OR attached.
2019-04-860A	April	3,944,309.66	No OR attached
2019-06-1411	July	10,944,381.15	No Certificate of Acceptance or proof that the subject of the contract was delivered, and duly inspected/verified/accepted by TPB or his authorized representative/s.
417663	August	1,385,278.45	No justification in resorting to a privately-owned real property/venue that the same is more efficient and economical to the government as required in the lease of real property and venue under consolidated guidelines for alternative methods of procurement of the 2016 RIRR of RA 9184
417657	August	2,922,705.45	No justification in resorting to a privately-owned real property/venue that the same is more efficient and economical to the government as required in the lease of real property and venue under consolidated guidelines for alternative methods of procurement of the 2016 RIRR of RA 9184
2019-07-1653	August	5,420,072.07	No attached OR issued by the supplier acknowledging receipt of fund transferred As per electronic fund transfer, the amount transferred was only P5,280,680.29 a difference of P139,391.78 compared to the amount booked.
2019-08-1743	August	9,165,977.47	No attached OR issued by the implementing agency to source agency acknowledging receipt of payment. No attached any terminal report or proof that the project really commenced to assess the reasonableness of the disbursement
TOTAL		P48,311,070.61	