

TOURISM BOARD'S AUDIT COMMITTEE

MINUTES OF THE MEETING

1 March 2021, 2:00 PM • Zoom Meeting

I. ATTENDANCE:

- a. **ACOO Jetro Nicolas F. Lozada**, Chairperson
- b. **Director Eduardo F. Pelaez**, Member
- c. **Atty. Manuel F. Santos, Jr.**, Corporate Board Secretary
- d. **Atty. Dioxenos B. Sulit**, Acting Assistant Corporate Secretary
- e. **Minette L. Sioson**, Department of Transportation
- f. **Jerson C. Tomoling**, Acting Head, IAO
- g. **Jerome C. Velasco**, Internal Auditor II
- h. **Edshi-Lee Cordero**, TPB-OCBS
- i. **Milo S. Oropeza**, Compliance Officer
- j. **Jose Teodoro Delos Reyes**, MISD

II. CALL TO ORDER

ACOO Jetro Nicolas F. Lozada, the designated alternate representative of TIEZA and Chairman of the Tourism Board Audit Committee, called the meeting to order at 2:00 PM.

III. APPROVAL OF AGENDA

The proposed agenda, For the Committee's Information: (a) Results of Audit of TPB's Special Contingency Fund FY 2020; and (b) Audit Report on the Validity of Dentsu's Financial Claim, approved by the Audit Committee Members.

IV. MEETING PROPER

The Corporate Board Secretary, Atty. Manuel F. Santos, Jr., certified the existence of a quorum as two members of the committee were present, namely, Director Eduardo F. Pelaez and ACOO Lozada.

V. HIGHLIGHTS OF THE MEETING

1. Results of Audit of TPB's Special Contingency Fund (SCF) FY 2020

- Mr. Jerson C. Tomoling started the presentation by discussing the audit objectives, coverage, scope and limitations, approach, and methodology. Each audit finding was discussed together with the corresponding reply and action plan from the Quick Response Committee (QRC).
- Dir. Eduardo F. Pelaez raised the question if there is an option to resolve the findings related to the supplies that were already distributed to DOT and airport personnel. Mr. Tomoling replied that these transactions are irreversible as these are already incurred, and if this matter will be observed by the Commission on Audit (COA), the TPB management will just make justifications. Mr. Tomoling added that the TPB management is now aware of what will be the possible justifications, if ever COA will be issuing observations regarding this matter.
- ACOO Lozada commented that Supplies and Personal Protective Equipment provided to the Airport and DOT personnel were part of the overall efforts of the DOT and TPB in helping the stranded tourist in the various regions.
- Dir. Pelaez asked about the reasons for the delay in processing and the causes of the unsigned Memorandum of Agreement (MOA) with the Local Government Units (LGU). Mr. Tomoling replied that the cause of delay may be due to the pandemic as most of the LGU personnel and officials are in Work-From-Home arrangements. It was also emphasized by Mr. Tomoling that one of the internal controls of TPB is the "No Perfected MOA, No Fund Transfer" policy.
- Dir. Pelaez has concurred on IAO's recommendation which is to further elaborate the terms "Other Projects" stipulated in the Implementing Guidelines on the use of SCF to avoid charging irrelevant programs and activities to the SCF which may not be aligned to the mandate of TPB.
- ACOO Lozada asked why there were late submissions of terminal reports. Mr. Tomoling replied that the some of the projects has a terminal report prepared by TPB. However, the project implementer is obliged to submit periodic/ status reports during the implementation, and terminal reports after the completion of the project, as required by the MOA.
- Dir. Pelaez has emphasized that during the past board meeting, COO Allones has reported to the governing board the accomplishments of TPB on the utilization of SCF including its proof of implementation of the projects and programs.

- ACOO Lozada commended that the objective of this special audit was achieved and the areas for improvement were identified. Further, the QRC has immediately acted upon the initial audit findings of the IAO as evidenced by the resolved issues and concerns. Dir. Pelaez added that the QRC is still in the learning curve trying to align the best practices in implementing the guidelines of SCF
- ACOO Lozada proposed that the Audit Committee will report to the governing board on the result of the special audit conducted on the utilization of SCF FY 2020 in the next scheduled board meeting.
- The Audit Committee requested the IAO to conduct a special audit on the utilization of SCF covering the 1st Quarter of 2021.

2. Audit Report on the Validity of Dentsu's Financial Claim

- Mr. Tomoling started the presentation by discussing the timeline of chronological events and was followed by the discussion of the objectives, scope, and results of the special audit.
- Mr. Tomoling presented to the committee a) the summary of payments made by TPB to Dentsu Philippines Inc. amounting to **FOUR HUNDRED FIVE MILLION FOUR HUNDRED NINETY-NINE THOUSAND EIGHT HUNDRED SIXTY-EIGHT AND 50/100 (PHP405, 499,868.50)**, b) the unpaid pending financial claims of Dentsu with a total amount of **ONE HUNDRED TWO MILLION THREE HUNDRED THIRTEEN THOUSAND ONE HUNDRED SEVENTY-FOUR AND 26/100 (PHP102,313,174.26)**, and c) the request to release the of the Performance Bond amounting **TWENTY-NINE MILLION NINE HUNDRED NINETY-FOUR THOUSAND FOUR HUNDRED (PHP29,994,400.00)**
- The total payments of TPB were categorized per the nature of expenses and following its timeline of implementation. Mr. Tomoling discussed the highlight of the discrepancies and audit observations noted:
 - a. All media placements and implementations from January- June 2015 were valid claims subject to the submission of the documentary requirements cited in COA Audit Observation Memorandum (AOM) 17-02(2015&15) dated 19 January 2018
 - b. All media placements and implementation from July to December 2015 are considered valid subject to the submission of approved justifications, minutes of meetings by both parties, and other relevant documents.
 - c. All media placements and implementation starting January 01 2016 and onwards were deemed irregular as there was no contract nor has a legal basis to extend the implementation period.

- d. All advance payments made by TPB were irregular as there was no irrevocable standby of letter provided by Dentsu.
- e. The TPB cannot issue a Certificate of Final Acceptance since Dentsu failed to fully deliver its obligations within the agreed contract period. Consequently, the TPB may not have sufficient and reasonable bases in releasing the performance security bond in favor of Dentsu.
- Mr. Tomoling presented the claims that were considered as valid financial claims which comprised of paid and unpaid transactions, and subsequently, the invalid claims were also shown to the committee that likewise include the paid and unpaid claims.
 - Dir. Pelaez raised the question of how to go about this issue with the Dentsu. Mr. Tomoling replied that the special audit report will be an input to the Legal Department as this matter is being handled by them which is subject to the ongoing arbitration proceedings.
 - Atty. Manuel F. Santos, Jr. provided the committee with updates on the status of the ongoing arbitration proceedings between TPB and Dentsu and invited Mr. Tomoling to meet with the Legal Department to discuss the Special Audit Report. Mr. Tomoling confirmed to attend the said meeting.
 - ACOO Lozada commented that COO Allones is constantly updating the governing board relative to this issue, and the Legal Department and the OGCC are currently on top of this matter.

VI. ADJOURNMENT

There being no more matters to be discussed, the meeting was adjourned at around 3:50PM.

PREPARED BY:



JEROME C. VELASCO

Internal Auditor II

Date: 2 March 2021

REVIEWED BY:



JERSON C. TOMOLING

Acting Head, IAO

Date: 8 March 2021

Resolved and adopted on 1 March 2021

TOURISM BOARD AUDIT COMMITTEE

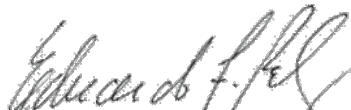


JETRON NICOLAS C. LOCADA

*Chairperson, Tourism Board Audit Committee and
Asst. Chief Operating Officer, Tourism Infrastructure & Enterprise Zone Authority*

REINIER PAUL R. YEBRA

*Alternate Chairperson, Tourism Board Audit Committee and
Undersecretary, Department of Transportation*



EDUARDO F. PELAEZ

*Member, Tourism Board Audit Committee and
Appointive Director (Other Accredited Tourism Enterprise)*