

TOURISM BOARD'S AUDIT COMMITTEE

MINUTES OF THE MEETING

24 May 2021, 1:00 PM • Zoom Meeting

I. ATTENDANCE:

- a. **ACOO Jetro Nicolas F. Lozada**, Chairperson
- b. **Director Eduardo F. Pelaez**, Member
- c. **Atty. Dioxenos B. Sulit**, Acting Assistant Corporate Secretary
- d. **Atty. Minette L. Sioson**, Department of Transportation
- e. **Jerson C. Tomoling**, Acting Head, Internal Audit Office
- f. **Jerome C. Velasco**, Internal Audit Office
- g. **Edmon Gerald A. Loza**, Office of the Corporate Board Secretary
- h. **Edshi-Lee A. Cordero**, Office of the Corporate Board Secretary
- i. **Jose Teodoro B. Delos Reyes**, Management Information Systems Department

II. CALL TO ORDER

ACOO Jetro Nicolas F. Lozada, the designated alternate representative of TIEZA and Chairman of the Board Audit Committee, called the meeting to order at 1:00 PM.

III. APPROVAL OF AGENDA

The Audit Committee approved the proposed agenda which comprised of the following items: (a) Critical Incident Report, For the Committee's Information: (a) Report on Compliance Audit conducted in Corporate Affairs Sector; (b) Report on Management Audit conducted in PHRDD covering CY 2020; and (c) Report on Special Audit in Special Contingency Fund 1st Quarter 2021, and Other Matter: (a) Signatory of Internal Audit Documents.

IV. MEETING PROPER

Mr. Jerome C. Velasco, Internal Auditor II, led the opening prayer and was followed by the determination of the quorum. Thereafter, the Acting Assistant Corporate Secretary, Atty. Dioxenos B. Sulit, certified the existence of a quorum as two members of the committee were present, namely, Director Eduardo F. Pelaez and ACOO Jetro Nicolas F. Lozada.

V. HIGHLIGHTS OF THE MEETING

AGENDA ITEM	HIGHLIGHTS
1.For the Committee’s Approval	
1.1.Critical Incident Report	<ol style="list-style-type: none"> 1. Mr. Jerson C. Tomoling, the Acting Head of Internal Audit Office (IAO), started the presentation by discussing the first agenda item which is the Critical Incident Report (CIR). The CIR is a tool used in the TPB’s Strategic Performance Management System (SPMS) to justify the non-achievement of a certain target reflected in the Office Performance and Commitment Review (OPCR) due to circumstances. 2. Mr. Tomoling discussed in detailed the content of the report that contains the (a)Situation/Tasks, (b)Action Taken, (c)Result, (d)Involved in the Situation, and (e)Resources need to Resolve the Situation, then requested the approval of the Board Audit Committee. 3. ACOO Lozada asked what will happen to the unutilized budget of the IAO in the 1st semester of 2021. Mr. Tomoling answered that the unutilized budget can be freed up and be given to other departments/ office for their programs and projects through a memorandum addressed to the Finance Department stating that facts therein. 4. ACOO Lozada commented that the IAO may have a Catch-Up plan so that the annual target accomplishment of 90% budget utilization can be achieved since this a recurring event that may still contribute to the non-achievement of the target in the 2nd Semester. Mr. Tomoling answered that the catch up plan may not be realizable since the utilization of IAO’s budget is based on the exit meetings conducted and that the remaining activities may not suffice to cover the unutilized portion of the budget. 5. Director Eduardo F. Pelaez, Audit Committee Member, asked Mr. Tomoling if this matter is also related to the meal allowance given to the Board of Directors during the Board meeting even they are in a Work from Home (WFH) arrangement and the meeting is conducted virtually. Mr. Tomoling answered that it is exactly similar, however, the IAO’s perspective is risk based in which the meal expenses might be considered as unnecessary expense under

	<p>Commission on Audit (COA) Circular 2012-003 dated 29 October 2012. The contributory factor would be the high amount of individual delivery charges which sometimes exceeds the amount of the meals because the auditees have different locations/addresses, and the fact that they are in a Work From Home arrangement.</p> <p>6. Director Pelaez asked also if the P800.00 food allowance given to the Board of Directors should continue or not. Mr. Tomoling said that as of the moment, there was no Audit Observation Memorandum (AOM) issued by the COA relative to this matter. The management should be prepared if this will be observed by the COA in the future. He added that the IAO is just avoiding the potential AOM from COA. In relation to the Board Meeting, the Office of Corporate Board Secretary (OCBS) providing meal allowance as approved by the Board has acted in good faith.</p> <p>7. ACOO Lozada commented that it should continue as long as the procurement process will be followed for the meals of the Board of Directors, and within the approved budget. But in the case of IAO, for purposes of accomplishing the target, if the delivery charge is excessive or higher than the amount of meals, he recommended reverting the excess fund to the Finance Department.</p> <p>8. Director Pelaez suggested that the delivery cost should be incorporated into the budget for the meals of the auditees.</p> <p>9. ACOO Lozada agreed that the IAO should continue giving food to the auditees during the meeting, and the budget of P15,000.00 will cover the meal expense and the delivery charge.</p> <p>10. Mr. Tomoling discussed also that the basis of computing the budget of meal expense as reflected in the Annual Audit Plan is Executive Order No. 77 dated 15 March 2019.</p> <p>11. After the review and deliberation, the Board Audit Committee approved the IAO Critical Incident Report for the 1st Semester 2021 subject to additional amendment particularly the addition of the cost of delivery charges on top of the TWO HUNDRED TWENTY PESO (P220.00) budget per person for the meal expense during the meeting.</p>
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2. For the Committee's information

2.1. Report on Compliance Audit conducted in Corporate Affairs Sector	1. Mr. Tomoling discussed the audit objectives, scope, and coverage. He presented the overall summary of the: (a) Compliances and non-compliances in terms of submission
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	<p>of mandatory reportorial requirements, and (b) Status of implementation of COA Audit Recommendations, together with the corresponding reply and action plan from the management. Also presented were the audit recommendations based on the findings and observations noted by the IAO.</p> <ol style="list-style-type: none"> 2. ACOO Lozada inquired about the period of the Budget Utilization Request and Status (BURS) for the unutilized/unobligated funds that were subjected to COA’s observation. Mr. Tomoling answered that the total amount is accumulated funds from the prior years until 2019. This fund should be reverted manually to National Treasury based on the COA’s Recommendation. 3. ACOO Lozada asked also if there is a Compliance Officer within the TPB. Mr. Tomoling answered that that Mr. Milo Oropeza is the designated Compliance Officer of the TPB however, his responsibility focuses only on monitoring the compliances to Governance Commission for GOCCs (GCG). Further, he added that the in-charged or responsible department in the monitoring of the AOMs and Management Letter from the COA is the Finance Department. 4. The Audit Committee has no further comments pertaining to the report.
<p>2.2.Report on Management Audit conducted in PHRDD covering CY 2020</p>	<ol style="list-style-type: none"> 1. Mr. Tomoling presented the audit objectives, scope, and coverage and was followed by the discussion on the summary of the overall result of the audit conducted with 13 positive findings and 25 negative findings. The detailed findings and observations were presented together with the corresponding management reply and action plans, and the seven (7) audit recommendations. 2. After the presentation of the report, Director Pelaez commended the IAO’s performance and for the extensive audit report presented. He added that the existence of an independent and functional Internal Audit Office within the TPB is very important as compared before wherein there is none, which helps the TPB in the improvement of its processes. 3. Atty. Minette L. Sioson, Representative from the Department of Transportation, asked if there is really a need to procure a consultant for the assessment of the competencies of the TPB applicants. Mr. Tomoling

	<p>explained that the online assessment is more on the psychological aspect of the applicant in which the PHRDD has no current skills nor has the expertise to do so. He added that PHRDD may have instead executed a supplemental contract from the previous consultant/supplier that expired last 31 December 2020, extending the services until June 2021 based on the Cash-Based Budgeting as there was difficulty in the procurement of a new consultant sue the current pandemic situation that contributed to the delay in the hiring process.</p> <ol style="list-style-type: none"> 4. Atty. Sioson asked also if the applicant can avail on their own a psychological assessment outside the TPB. Mr. Tomoling answered that the applicants should undergo the online psychological assessment conducted by the TPB’s external service provider as part of the hiring procedure. 5. The Audit Committee has no further comments pertaining to the report.
<p>2.3. Report on Special Audit in Special Contingency Fund 1st Quarter 2021</p>	<ol style="list-style-type: none"> 1. Mr. Tomoling presented the objectives, scope, and coverage of the audit, and discussed the overall result of the audit conducted with three (3) positive findings and six (6) negative findings together with the corresponding management reply and action plans. He also discussed the four (4) audit recommendations based on the IAO’s findings and observations. 2. After the presentation of the report, Director Pelaez shared that in the Cagayan De Oro, upon entering the establishments, all are required to present their respective QR Code issued by the Local Government Unit (LGU). This QR Code that contains the information of the person is a requirement also for the tourists in the municipality. ACOO Lozada added that most of the LGUs adopted and implemented this QR Code system. In one of the interviews of Secretary Puyat, she mentioned that this will be implemented nationwide. 3. Atty. Sioson asked if whether or not the 100 applicants limit per day was stated also in the supplemental Memorandum of Agreement (MOA). Mr. Tomoling explained that the provisions stipulated in the original MOA was adopted as the purpose of the Supplemental MOA is to increase or add funds for the implementation of the project. He added that the 100 limit was for TPB’s decision and control as part of the implementation of the project with Philippine

	<p>Children's Medical Center (PCMC). Based on the discussion during the exit meeting with the Quick Response Committee (QRC), the increase in the limit of applicants per day for the swab testing was based on the instructions from the TPB's management. Atty. Sioson suggested that in the Supplemental MOA, the TPB should also amend the provision pertaining to the increase of the limit of applicants per day to justify in the event the COA will observe the same finding in the future. Mr. Tomoling added that the root cause of this finding is the absence of real-time monitoring of TPB and PCMC, which will serve as their control in complying with the provisions stipulated in the MOA. During the exit meeting for this audit engagement, the TPB management also admitted that they are not prepared for this new project and they suggested that the best solution to address this issue is to automate the process for the real-time monitoring of applicants administered for the swab testing.</p> <p>4. ACOO Lozada clarified if there was a disconnect and discrepancy if one project was implemented using two different year funding source, the first implementation was charged against SCF-Corporate Operating Budget (COB) 2020, and the second one is charged against SCF-COB 2021. Mr. Tomoling discussed that the project for 2020 should have been charged against budget 2020, and the same with the project for 2021 should be also be charged against budget 2021. For this particular finding, the QRC executed a supplemental MOA for the project originally part of the COB 2021 but the additional funds were charged against SCF-COB 2021 that converted this project into a Multi-Year project with two-year funding source without a Certificate of Budget Inclusion approved by the Tourism Board.</p> <p>5. According to ACOO Lozada, the project contributes to boosting domestic tourism. On the side of QRC, it is really difficult for them because the quarantine policy changes every two weeks. It is a successful project, however, the IAO's observation is correct, that there was an apparent lack in the documentation of this program/ project. In the findings that this should be part of the regular program of TPB, the concern is the changes in the policy since every two weeks there is a release of announcement at the national level.</p>
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6. ACOO Lozada said that the audit report is very detailed, and its purpose is to improve the processes and systems in availing and utilizing the SCF.
7. Director Pelaez shared that on the private sector side, other people might be taking advantage of this program such as availing the subsidy even the travel is not related to tourism. This project should leave it to the other agencies, and TPB should only promote safe travel and not necessarily on the swab testing. He added that there so much controversy on that matter, and suggested that the fund should be allocated in other projects such as promoting an area which considered as low risk in terms of COVID case status. But, it depends on the decision of TPB's management.
8. ACOO Lozada agreed that there are some comments relative to this program, like, this should be handled by the Department of Health (DOH) and some other agencies. He added that this issue is a management call, and they should have time to rethink it and look at other possible programs that can directly support and impact the tourist destinations other than the passengers.
9. ACOO Lozada asked also if the QRC is receptive to the IAO's recommendation. Mr. Tomoling discussed in detailed the comments and insights of the QRC during the exit meeting with regard to the audit recommendations. For the recommendation relative to the automation of the process, the QRC is open for this, however, there are budget constraints since the proposed automation was not included in the COB 2021. For the Recommendation Item No. 3, one of the secretariat is the head of Budget Division, moving forward, the QRC will be conducting a formal meeting for the consultation with the Finance Department relative to the funding of a particular project. And for the Recommendation Item No. 4, according to the QRC, the provision related to other projects stipulated in the SCF guidelines will may serve as their protection and justification in case an AOM will be issued by the COA. This recommendation is a reiteration as this was also recommended during the first audit conducted on the utilization of SCF covering CY 2020.
10. The Audit Committee has no further comments pertaining to the report.

3. Other Matters	
<p>3.1. Signatory of Internal Audit Documents</p>	<ol style="list-style-type: none"> 1. Mr. Tomoling presented the different IAO documents classified into functional and administrative documents. He discussed that for the document related to functional, these are for the signature/ approval of the Board Audit Committee, such as the Internal Audit Plan and Internal Audit Charter. The OPCR and Critical Incident Report, are for the approval/ signature of the Chairman of the Board Audit Committee. On the other hand, the administrative documents such as Daily Time Record, Application for Leave, Training Effectiveness Evaluation, and Purchase Request (depending on the amount based on the TPB Board Resolution 200 s. 2019) are for the approval/ signature of the Chief of Operating Officer. 2. Mr. Tomoling asked the Chairperson if the committee has a comment on the presented documents with the corresponding signatories such as the Training Effectiveness Evaluation form that is for approval of the COO. His concern is that IAO is directly reporting to the Board Audit Committee and all audit reports were submitted to them, copy furnished the COO. However, to date, the IAO did not receive any comments relative to the previous Training Effectiveness Evaluation Form forwarded to COO by the PHRDD. ACOO Lozada answered that it should be the COO, since she is the signatory of the office order authorizing Mr. Tomoling’s participation to attend the seminars. Atty. Sioson agreed to ACOO Lozada’s comments. Since COO is copy furnished to all the reports submitted by the IAO, these reports received by COO can be her basis in evaluating the effectiveness of the training to Mr. Tomoling’s performance and competencies. ACOO Lozada decided to retain the signatories of the different internal audit documents as presented by Mr. Tomoling. 3. The Audit Committee has no further comments pertaining to the signatories of internal audit documents.

VI. ADJOURNMENT

There being no more matters to be discussed, the meeting was adjourned at around 3:35PM.

PREPARED BY:
JEROME C. VELASCO

Internal Auditor II

Date: 28 May 2021

REVIEWED BY:
JERSON C. TOMOLING

Acting Head, IAO

Date: 28 May 2021

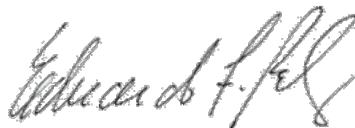
Resolved and adopted on 24 May 2021

TOURISM BOARD AUDIT COMMITTEE
JETRO NICOLAS T. LOZADA

*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)*