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

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

June 27, 2022

Received by:
EDSHI CORDERO
06/27/2022

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 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, 2021 and 2020.

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

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, 2021 and 2020 in view of the following:

1. The faithful representation in the financial statements of the Receivables account with a balance of P801.482 million with carrying amount of P774.478 million as of December 31, 2021 could not be ascertained due to the unreliability of the balance of the Inter-Agency Receivables (IAR) of P773.620 million, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. The IAR balance of P773.620 million differs by P22.935 million as compared with the total of its Subsidiary Ledger (SL) balances, and results of confirmation of 10 sample accounts with SL balance totaling P85.025 million disclosed a discrepancy of P41.132 million.

2. Non-submission of the liquidating documents on completed programs or projects covered by the fund transfers (FTs) of the TPB to various implementing agencies amounting to P402.165 million, resulted in the non-recording of the expenses, consequently understating the expense and overstating the accumulated surplus/(deficit) accounts of the TPB for an undetermined amount, contrary to paragraph 27 of IPSAS 1.

3. The faithful representation in the financial statements of the balance of the Inventories account with a carrying amount of P30.642 million as of

December 31, 2021 was not established due to the variance of P8.323 million between the General Ledger (GL) balance of Other Supplies and Materials Inventory sub-account of P28.119 million and the balance per Report on Annual Inventory on Promotional Materials and Giveaways of P19.796 million contrary to Paragraph 27 of IPSAS 1.

4. The balance of the Inter-Agency Payable account of P24.226 million is not fairly presented in the books due to: (a) derecognition of the Due to National Government Agencies (NGAs) account of P196.853 million despite the non-reversion/remittance of the fund to the National Treasury; and (b) variance totaling P1.037 million between the amounts per book and amounts confirmed by the concerned Government-Owned and/or Controlled Corporations, contrary to Paragraph 27 of IPSAS 1.

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

1.1. Direct the Finance Department, particularly the Accounting Division (AD) to:

a. Exert more efforts in tracing/verifying the discrepancy between the GL and SLs balances, thereafter ensure that the SLs are properly maintained/updated;

b. Send confirmation letters to the Implementing Agencies (IA), and for those balances which are confirmed liquidated, coordinate with their respective AD and request for a copy of the Reports of Checks Issued and other related documents to support the liquidation; and

c. Make the corrections/adjustments in the records/books of the TPB as necessary.

2.1. Make a final demand for the liquidation of the FTs and assess the need to initiate other appropriate actions to facilitate and/or cause the immediate liquidation of the FTs for completed projects;

2.2. Direct the AD to:

a. Properly monitor the FTs by regularly coordinating with the IAs and demand the immediate submission of the liquidation documents for completed programs/projects, and the refund of excess fund, if any;

b. Effect the necessary adjustments once the FTs are liquidated; and

c. Strictly comply with the provisions of COA Circular No. 94-013.

3.1. Direct the AD and/or General Services Division to:

a. Continue the reconciliation of the remaining unaccounted variance of P8.323 million;

b. Include in the inventory report the promotional items transferred to other department/s yet to be released to end-users, to reflect the correct inventory balance as of December 31, 2021, and,

c. Update their respective books/records/reports, and thereafter, observe a periodic reconciliation of their inventory records.

4.1. Direct the AD and the concerned offices to:

a. Prepare an adjusting entry for the derecognized amount of P196.853 million to correct the understatement of the Due to NGAs account and overstatement of the Accumulated Surplus as of December 31, 2021;

b. Revert/remit to the National Treasury the subject amount, thereafter record the remittance/reversion;

c. Coordinate with the Duty Free Philippines Corporation (DFPC) and the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) on the noted variance. For the account with the DFPC, exert effort to locate the records/documents, and prepare the adjusting entry in the books; for the account with the TIEZA, if the project has been completed, collate the liquidation documents and submit the same to the TIEZA; likewise, make the adjustments in the books; and

d. For the two unidentified long outstanding accounts (Florikultura and Pinoy Homecoming), provide the necessary adjusting entries to revert them to Accumulated Surplus/(Deficit).

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

5. The TPB did not declare and remit the to the National Treasury the required dividends totaling P7.903 million representing 50 per cent of the Net Earnings of the TPB in CYs 2021 and 2020, contrary to the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 7656, otherwise known as the Dividend Law, thereby depriving the National Government of the additional funds to carry out its various project and programs and exposing the TPB to unnecessary interests and penalties.

5.1. We recommended that the Management direct the Finance Department to compute the final amount of net earnings and the required dividends to be declared and for the Board of Directors to declare the 50 per cent dividends thereon.

5.2. Further, we recommended that the Management comply with the provisions of the 2016 RIRR of RA No. 7656.

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 May 27, 2022 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:

Atty. CHITO C. JANABAN
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – 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, Philippines

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

June 27, 2022

TOURISM PROMOTIONS BOARD
Office of the Chief Operating Officer
RECEIVED
Date: 27 June 2022
Received by: Ethel Kapotalo

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

Dear COO Velasco-Allones:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 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, 2021 and 2020.

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

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, 2021 and 2020 in view of the following:

1. The faithful representation in the financial statements of the Receivables account with a balance of P801.482 million with carrying amount of P774.478 million as of December 31, 2021 could not be ascertained due to the unreliability of the balance of the Inter-Agency Receivables (IAR) of P773.620 million, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. The IAR balance of P773.620 million differs by P22.935 million as compared with the total of its Subsidiary Ledger (SL) balances, and results of confirmation of 10 sample accounts with SL balance totaling P85.025 million disclosed a discrepancy of P41.132 million.

2. Non-submission of the liquidating documents on completed programs or projects covered by the fund transfers (FTs) of the TPB to various implementing agencies amounting to P402.165 million, resulted in the non-recording of the expenses, consequently understating the expense and overstating the accumulated surplus/(deficit) accounts of the TPB for an undetermined amount, contrary to paragraph 27 of IPSAS 1.

3. The faithful representation in the financial statements of the balance of the Inventories account with a carrying amount of P30.642 million as of December 31, 2021 was not established due to the variance of P8.323 million between the General Ledger (GL) balance of Other Supplies and Materials Inventory sub-account of P28.119 million and the balance per Report on Annual Inventory on Promotional Materials and Giveaways of P19.796 million contrary to Paragraph 27 of IPSAS 1.

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

1.1. Direct the Finance Department, particularly the Accounting Division (AD) to:

   a. Exert more efforts in tracing/verifying the discrepancy between the GL and SLs balances, thereafter ensure that the SLs are properly maintained/updated;

   b. Send confirmation letters to the Implementing Agencies (IA), and for those balances which are confirmed liquidated, coordinate with their respective AD and request for a copy of the Reports of Checks Issued and other related documents to support the liquidation; and

   c. Make the corrections/adjustments in the records/books of the TPB as necessary.

2.1. Make a final demand for the liquidation of the FTs and assess the need to initiate other appropriate actions to facilitate and/or cause the immediate liquidation of the FTs for completed projects;

2.2. Direct the AD to:

   a. Properly monitor the FTs by regularly coordinating with the IAs and demand the immediate submission of the liquidation documents for completed programs/projects, and the refund of excess fund, if any;

   b. Effect the necessary adjustments once the FTs are liquidated; and

   c. Strictly comply with the provisions of COA Circular No. 94-013.

3.1. Direct the AD and/or General Services Division to:

   a. Continue the reconciliation of the remaining unaccounted variance of P8.323 million;

b. Include in the inventory report the promotional items transferred to other department/s yet to be released to end-users, to reflect the correct inventory balance as of December 31, 2021, and,

c. Update their respective books/records/reports, and thereafter, observe a periodic reconciliation of their inventory records.

4.1. Direct the AD and the concerned offices to:

a. Prepare an adjusting entry for the derecognized amount of P196.853 million to correct the understatement of the Due to NGAs account and overstatement of the Accumulated Surplus as of December 31, 2021;

b. Revert/remit to the National Treasury the subject amount, thereafter record the remittance/reversion;

c. Coordinate with the Duty Free Philippines Corporation (DFPC) and the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) on the noted variance. For the account with the DFPC, exert effort to locate the records/documents, and prepare the adjusting entry in the books; for the account with the TIEZA, if the project has been completed, collate the liquidation documents and submit the same to the TIEZA; likewise, make the adjustments in the books; and

d. For the two unidentified long outstanding accounts (Florikultura and Pinoy Homecoming), provide the necessary adjusting entries to revert them to Accumulated Surplus/(Deficit).

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

5. The TPB did not declare and remit the to the National Treasury the required dividends totaling P7.903 million representing 50 per cent of the Net Earnings of the TPB in CYs 2021 and 2020, contrary to the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 7656, otherwise known as the Dividend Law, thereby depriving the National Government of the additional funds to carry out its various project and programs and exposing the TPB to unnecessary interests and penalties.

5.1. We recommended that the Management direct the Finance Department to compute the final amount of net earnings and the required dividends to be declared and for the Board of Directors to declare the 50 per cent dividends thereon.

5.2. Further, we recommended that the Management comply with the provisions of the 2016 RIRR of RA No. 7656.

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 May 27, 2021 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

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

We acknowledged 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:

Atty. CHITO C. JANABAN
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – 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

(Name of the Agency and Address)

AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 20XX
As of ______________

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sig-off:

______________________________ ____________

Name and Position of Agency Officer **Date**

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

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, 2021 and 2020

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 for this Act was issued on November 10, 2009. Under this Act, the Philippine Convention and Visitors Corporation 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 and/or Controlled Corporations 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, 2021, TPB had total personnel complement of 166 composed of 112 regular employees and 54 job order personnel. It is governed by a Tourism Board composed of a Chairman, Vice Chairman, and 10 Members of the Board. Its Management is headed by a Chief Operating Officer.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2021	2020 (As Restated)	Increase (Decrease)
Assets	2,983,266,926	2,919,596,520	63,670,406
Liabilities	1,147,088,887	1,208,162,000	(61,073,113)
Net assets/equity	**1,836,178,039**	**1,711,434,520**	**124,743,519**

II. Comparative Financial Performance

	2021	2020 (As Restated)	Increase (Decrease)
Revenue	9,957,329	6,692,461	3,264,868
Current operating expenses	559,819,911	697,517,274	(137,697,363)
Surplus/(deficit) from current operations	(549,862,582)	(690,824,813)	140,962,231
Other non-operating income	2,765,325	5,703	2,759,622
Gains	5,063,255	208	5,063,047
Losses	(2,212,300)	(4,065,219)	1,852,919
Assistance and subsidy	828,394,574	1,245,498,886	(417,104,312)
Net Surplus for the period	**284,148,272**	**550,614,765**	**(266,466,493)**

III. Comparison of 2021 Budget and Actual Amounts

	Approved COB	Actual	Difference Final budget vs Actual
Receipts	1,781,479,000	1,803,307,142	(21,828,142)
Payments:			
Personnel services	146,295,000	103,156,199	43,138,801
Maintenance and other operating expenses	1,578,725,000	618,834,472	959,890,528
Capital expenditures	35,325,000	12,749,058	22,575,942
Net Receipts/(Payments)	**21,134,000**	**1,068,567,413**	**(1,047,433,413)**

SCOPE OF AUDIT

Our audit covered the examination, on a test basis of transactions and accounts of TPB for Calendar Year (CY) 2021 to enable us to express an opinion on the financial statements for the years ended December 31, 2021 and 2020 in accordance with the International Standards of Supreme Audit Institutions. It was also conducted to determine the Agency's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

1. The faithful representation in the financial statements of the Receivables account with a balance of P801.482 million with carrying amount of P774.478 million as of December 31, 2021 could not be ascertained due to the unreliability of the balance of the Inter-Agency Receivables (IAR) of P773.620 million, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. The IAR balance of P773.620 million differs by P22.935 million as compared with the total of its Subsidiary Ledger (SL) balances, and results of confirmation of 10 sample accounts with SL balance totaling P85.025 million disclosed a discrepancy of P41.132 million.

2. Non-submission of the liquidating documents on completed programs or projects covered by the fund transfers (FTs) of the TPB to various implementing agencies amounting to P402.165 million, resulted in the non-recording of the expenses, consequently understating the expense and overstating the accumulated surplus/(deficit) accounts of the TPB for an undetermined amount, contrary to paragraph 27 of IPSAS 1.

3. The faithful representation in the financial statements of the balance of the Inventories account with a carrying amount of P30.642 million as of December 31, 2021 was not established due to the variance of P8.323 million between the General Ledger (GL) balance of Other Supplies and Materials Inventory sub-account of P28.119 million and the balance per Report on Annual Inventory on Promotional Materials and Giveaways of P19.796 million contrary to Paragraph 27 of IPSAS 1.

4. The balance of the Inter-Agency Payable account of P24.226 million is not fairly presented in the books due to: (a) derecognition of the Due to National Government Agencies (NGAs) account of P196.853 million despite the non-reversion/remittance of the fund to the National Treasury; and (b) variance totaling P1.037 million between the amounts per book and amounts confirmed by the concerned Government-Owned and/or Controlled Corporations, contrary to Paragraph 27 of IPSAS 1.

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

1.1. Direct the Finance Department, particularly the Accounting Division (AD) to:

a. Exert more efforts in tracing/verifying the discrepancy between the GL and SLs balances, thereafter ensure that the SLs are properly maintained/updated;

b. Send confirmation letters to the Implementing Agencies (IA), and for those balances which are confirmed liquidated, coordinate with their respective AD and request for a copy of the Reports of Checks Issued and other related documents to support the liquidation; and

c. Make the corrections/adjustments in the records/books of the TPB as necessary.

2.1. Make a final demand for the liquidation of the FTs and assess the need to initiate other appropriate actions to facilitate and/or cause the immediate liquidation of the FTs for completed projects; and

2.2. Direct the AD to:

a. Properly monitor the FTs by regularly coordinating with the IAs and demand the immediate submission of the liquidation documents for completed programs/projects, and the refund of excess fund, if any;

b. Effect the necessary adjustments once the FTs are liquidated; and

c. Strictly comply with the provisions of COA Circular No. 94-013.

3.1. Direct the AD and/or General Services Division to:

a. Continue the reconciliation of the remaining unaccounted variance of P8.323 million;

b. Include in the inventory report the promotional items transferred to other department/s yet to be released to end-users, to reflect the correct inventory balance as of December 31, 2021, and,

c. Update their respective books/records/reports, and thereafter, observe a periodic reconciliation of their inventory records.

4.1. Direct the AD and the concerned offices to:

a. Prepare an adjusting entry for the derecognized amount of P196.853 million to correct the understatement of the Due to NGAs account and overstatement of the Accumulated Surplus as of December 31, 2021;

b. Revert/remit to the National Treasury the subject amount, thereafter record the remittance/reversion;

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d. For the two unidentified long outstanding accounts (Florikultura and Pinoy Homecoming), provide the necessary adjusting entries to revert them to Accumulated Surplus/(Deficit).

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

5. The TPB did not declare and remit the to the National Treasury the required dividends totaling P7.903 million representing 50 per cent of the Net Earnings of the TPB in CYs 2021 and 2020, contrary to the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 7656, otherwise known as the Dividend Law, thereby depriving the National Government of the additional funds to carry out its various project and programs and exposing the TPB to unnecessary interests and penalties.

5.1. We recommended that the Management direct the Finance Department to compute the final amount of net earnings and the required dividends to be declared and for the Board of Directors to declare the 50 per cent dividends thereon.

5.2. Further, we recommended that the Management comply with the provisions of the 2016 RIRR of RA No. 7656.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, CHARGES AND DISALLOWANCES

As of December 31, 2021, there were no unsettled audit charges. The details and status of the unsettled suspension and disallowance at year-end in the amount of P11.809 million and P1.641 billion, respectively is presented in Table 7, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 20 audit recommendations embodied in the prior year's Annual Audit Report, 14 were fully implemented and six were partially implemented. Details are presented in Part III of this Report.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Tourism Promotions Board (TPB)**, which comprise the statements of financial position as at December 31, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified of Opinion

The faithful representation in the financial statements of the Receivables account with a balance of P801.482 million with carrying amount of P774.478 million as of December 31, 2021 could not be ascertained due to the unreliability of the balance of the Inter-Agency Receivables (IAR) of P773.620 million, contrary to Paragraph 27 of IPSAS 1. The IAR balance of P773.620 million differs by P22.935 million as compared with the total of its Subsidiary Ledger (SL) balances, and results of confirmation of 10 sample accounts with SL balance totaling P85.025 million disclosed a discrepancy of P41.132 million.

Non-submission of the liquidating documents on completed programs or projects covered by the fund transfers of the TPB to various implementing agencies amounting to P402.165 million, resulted in the non-recording of the expenses, consequently understating the expense and overstating the accumulated surplus/(deficit) accounts of the TPB for an undetermined amount, contrary to paragraph 27 of IPSAS 1.

Likewise, the faithful representation in the financial statements of the balance of the Inventories account with a carrying amount of P30.642 million as of December 31, 2021 was not established due to the variance of P8.323 million between the General Ledger balance of Other Supplies and Materials Inventory sub-account of P28.119 million and the balance per Report on Annual Inventory on Promotional Materials and Giveaways of P19.796 million contrary to Paragraph 27 of IPSAS 1.

Moreover, the balance of the Inter-Agency Payable account of P24.226 million is not fairly presented in the books due to: (a) derecognition of the Due to National Government Agencies account of P196.853 million despite the non-reversion/remittance of the fund to the National Treasury; and (b) variance totaling P1.037 million between the amounts per book and amounts confirmed by the concerned Government-Owned and/or Controlled Corporations, contrary to 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 Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

In our report dated July 12, 2021, we expressed a modified opinion on the Calendar Year 2020 financial statements because the faithful representation in the financial statements of the balances of the Financial Liabilities and Other Payables accounts in the amounts of P242.065 million and P6.679 million, respectively, as of December 31, 2020 could not be established due to: (a) absence of delivery receipts, certificate of acceptance, and other related documents to ascertain that the goods/services were already delivered/rendered/ completed and accepted to support the booking of the Accounts Payable of P198.289 million; (b) discrepancies totaling P1.746 million between the balances per General Ledger and as confirmed by suppliers which remained unreconciled at year-end; and (c) unsubstantiated bank reconciling items totaling P4.997 million recorded under Other Payables account, contrary to Paragraph 27 of IPSAS 1 and Item 3.26 of the Conceptual Framework on the General Purpose Financial Reporting by Public Sector Entities.

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

TPB Management was able to provide the necessary adjustments to correct the deficiencies noted affecting Financial Liabilities, Investments, Interest Income and Accumulated Surplus/(Deficit) account. Accordingly, our present opinion on the restated 2020 financial statements, as presented herein is no longer modified concerning these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the TPB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the TPB or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021, required by the Bureau of Internal Revenue as disclosed in Note 33 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

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

May 27, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Tourism Promotions Board (TPB) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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.

The Board of Trustees is responsible for overseeing the TPB's financial reporting process. The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to stakeholders and other users.

The Commission on Audit has examined the financial statements of the TPB in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Trustees, has expressed its opinion on the fairness of presentation upon completion of such audit.

MARIA ANTHONETTE C. VELASCO-ALLONES
Chief Operating Officer, Tourism Promotions Board
Date: 27 May 2022

MARLITO D. RODRIGUEZ
Department Manager III, Finance
Date: 27 May 2022

ASEC. HOWARD LANCE UYKING
Alternate Chairperson, Tourism Promotions Board
Date: 27 May 2022

TOURISM PROMOTIONS BOARD
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,210,089,334	1,567,924,602
Other investments	7	13,550,918	5,181,871
Receivables - net	8	774,478,233	338,493,999
Inventories	9	30,642,382	71,320,387
Other current assets	10	23,196,591	14,481,181
Total Current Assets		**2,051,957,458**	**1,997,402,040**
Non-Current Assets			
Other investments	7	123,600	123,600
Property, plant and equipment - net	11	47,132,933	41,737,328
Intangible assets	12	6,467,658	2,748,275
Other non-currrent assets	13	877,585,277	877,585,277
Total Non-Current Assets		**931,309,468**	**922,194,480**
TOTAL ASSETS		**2,983,266,926**	**2,919,596,520**
LIABILITIES			
Current Liabilities			
Financial liabilities	14	189,338,616	251,958,737
Inter-agency payables	15	24,226,267	37,782,330
Trust liabilities	16	34,983,071	33,576,520
Other payables	17	20,955,656	7,259,136
Total Current Liabilities		**269,503,610**	**330,576,723**
Non-Current Liabilities			
Trust liabilities	16	877,585,277	877,585,277
Total Current Liabilities		**877,585,277**	**877,585,277**
TOTAL LIABILITIES		**1,147,088,887**	**1,208,162,000**
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		**1,836,178,039**	**1,711,434,520**
NET ASSETS/EQUITY			
Accumulated surplus/(deficit)	31	1,585,052,368	1,460,386,043
Government equity	30	250,000,000	250,000,000
Unrealized gain from changes in the fair value of the financial instruments	29	1,125,671	1,048,477
TOTAL NET ASSETS/EQUITY		**1,836,178,039**	**1,711,434,520**

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, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As Restated)
REVENUE			
Service and business income	18	9,957,329	6,692,461
TOTAL REVENUE		**9,957,329**	**6,692,461**
CURRENT OPERATING EXPENSES			
Personnel services	19	110,688,618	105,642,744
Maintenance and other operating expenses	20	435,885,277	567,985,318
Financial expenses	21	373,218	1,073,442
Non-cash expenses	22	12,872,798	22,815,770
TOTAL CURRENT OPERATING EXPENSES		**559,819,911**	**697,517,274**
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		**(549,862,582)**	**(690,824,813)**
Other non-operating income	23	2,765,325	5,703
Gains	24	5,063,255	208
Losses	25	(2,212,300)	(4,065,219)
DEFICIT BEFORE SUBSIDY		**(544,246,302)**	**(694,884,121)**
Net assistance/subsidy	26	828,394,574	1,245,498,886
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**284,148,272**	**550,614,765**

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, 2021 and 2020
(In Philippine Peso)

	Accumulated surplus Note 31	Government equity Note 30	Unrealized gain from changes in the fair value of the financial instruments Note 29	Total
BALANCE AT JANUARY 1, 2020	1,117,938,729	250,000,000	-	1,367,938,729
ADJUSTMENTS:				
Add/(Deduct):				
Change in accounting policies	-	-	-	-
Prior year's adjustments	181,736,696	-	-	181,736,696
Other adjustments	-	-	-	-
RESTATED BALANCE AT JANUARY 1, 2020	**1,299,675,425**	**250,000,000**	**-**	**1,549,675,425**
Changes in Net Assets/Equity for CY 2020				
Add/(Deduct):				
Surplus/(Deficit) for the period, as previously stated	615,921,049	-	-	615,921,049
Prior year's adjustments	(65,306,284)	-	-	(65,306,284)
Surplus/(Deficit) for the period, as restated	550,614,765	-	-	550,614,765
Other Adjustments	(389,904,147)	-	1,048,477	(388,855,670)
RESTATED BALANCE AT DECEMBER 31, 2020	**1,460,386,043**	**250,000,000**	**1,048,477**	**1,711,434,520**
Changes in Net Assets/Equity for CY 2021				
Add/(Deduct):				
Surplus/(Deficit) for the period	284,148,272	-	-	284,148,272
Other adjustments	(159,481,947)	-	77,194	(159,404,753)
BALANCE AT DECEMBER 31, 2021	**1,585,052,368**	**250,000,000**	**1,125,671**	**1,836,178,039**

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, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of revenue		2,463,976	3,028,018
Receipt of assistance/subsidy		828,394,574	1,245,498,886
Trust receipts		2,226,333	717,619
Other receipts		51,627,910	36,787,066
Total cash inflows		**884,712,793**	**1,286,031,589**
Adjustments		22,057,598	108,469,680
Adjustment Cash Inflows		**906,770,391**	**1,394,501,269**
Cash outflows			
Payment of expenses		279,857,370	254,024,636
Purchase of inventory		2,252,138	21,702,208
Grant of cash advance		5,014,165	5,729,556
Prepayments		9,416,454	6,897,772
Payment of accounts payable		236,220,205	394,819,563
Remittance of personnel benefit contributions and mandatory deductions		21,480,824	30,759,314
Release of inter-agency fund transfers		423,539,577	525,977,973
Other disbursements		116,259,945	102,195,668
Total cash outflows		**1,094,040,678**	**1,342,106,690**
Adjustments		159,481,947	389,904,147
Adjustment Cash Outflows		**1,253,522,625**	**1,732,010,837**
Net cash provided by (used in) operating activities		**(346,752,234)**	**(337,509,568)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow			
Proceeds from sale/disposal of property, plant and equipment		84,701	36,350
Proceeds from matured investments		-	205,775,037
Total cash inflow		**84,701**	**205,811,387**
Cash outflow			
Purchase/construction of property, plant and equipment		10,074,675	3,904,990
Purchase of intangible assets		3,719,383	470,000
Total cash outflow		**13,794,058**	**4,374,990**
Net cash provided by (used in) investing activities		**(13,709,357)**	**201,436,397**
Net increase (decrease) in cash and cash equivalents		(360,461,591)	(136,073,171)
Effects of exchange rate changes on cash and cash equivalents		2,626,323	(3,936,823)
Cash and cash equivalents, January 1		1,567,924,602	1,707,934,596
Cash and cash equivalents, December 31	**6**	**1,210,089,334**	**1,567,924,602**

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, 2021
(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable Basis
	Original	Final	
	Note 31		
RECEIPTS			
Service and business income	39,759,000	39,759,000	9,957,329
Assistance and subsidy	1,741,720,000	1,741,720,000	1,741,720,000
Other non-operating income	-	-	1,903
Others	-	-	51,627,910
Total receipts	**1,781,479,000**	**1,781,479,000**	**1,803,307,142**
PAYMENTS			
Personnel services	151,002,000	146,295,000	103,156,199
Maintenance and other operating expenses	1,595,152,000	1,578,725,000	618,834,472
Capital outlay	35,325,000	35,325,000	12,749,058
Total payments	**1,781,479,000**	**1,760,345,000**	**734,739,729**
NET RECEIPTS/(PAYMENTS)	**-**	**21,134,000**	**1,068,567,413**

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

Difference Final Budget vs. Actual
29,801,671
-
(1,903)
(51,627,910)
(21,828,142)
43,138,801
959,890,528
22,575,942
1,025,605,271
(1,047,433,413)

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/or 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 provided for the reorganization of the Philippine Convention and Visitors Corporation (PCVC). The Tourism Board under Resolution No. 16, series of 2010, also confirmed during its June 21, 2010 meeting, the reorganization of the PCVC into the TPB.

The 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 destination; attracting, promoting, facilitating and servicing large scale events, international fairs and conventions, congresses, sports competitions, expositions and the like; ensuring the regular local and international advertisement of the country's major tourism destinations and other tourism products, including Tourism Economic Zones; 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 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 was authorized for issue on May 27, 2022, as shown in the Statement of Management's Responsibility for Financial Statements signed by DOT Assistant Secretary Howard Lance A. Uyking, representing the Chairperson of the Board of Trustees.

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

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

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

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

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

2.2 Preparation of Financial Statements

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

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

3.2 *Financial Instruments*

a. Financial assets

i. Initial recognition and measurement

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

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

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

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

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

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

2. Receivables

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

3. Held-to-maturity

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

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

iii. Derecognition

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

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

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

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

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

iv. Impairment of financial assets

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

Evidence of impairment may include the following indicators:

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

2. Default or delinquency in interest or principal payments;

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

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

v. Financial assets carried at amortized cost

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

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

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

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

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

b. Financial liabilities

i. Initial recognition and measurement

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

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

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

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit

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

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

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

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

2. Loans and borrowings

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

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

iii. Derecognition

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

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

c. Offsetting of financial instruments

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

d. Fair value of financial instruments

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

3.3 *Cash and Cash Equivalents*

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

3.4 *Inventories*

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

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

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

3.5 *Property, Plant and Equipment*

a. Recognition

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

The characteristics of PPE are as follows:

i. Tangible items;

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

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

An item of PPE is recognized as an asset if:

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

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

iii. The cost is at least P15,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

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

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

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

ii. Expenditure that is directly attributable to the acquisition of the items; and

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

c. Measurement after recognition

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

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

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

d. Depreciation

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

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

i. Initial recognition of depreciation

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

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

ii. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for the 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 10 per cent 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 32*.

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 the 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 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 31*.

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 the TPB's risk management framework. The Board is expected to establish and institute adequate control mechanisms for good governance in the 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 GOCC Memorandum Circular No. 2012-07 (Code of Corporate Governance and Section 17 of the 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 board members and one executive or manager knowledgeable in audit, accounting and finance while the Executive Committee is headed by the Chief Operating Officer (COO), the Deputy COOs, and all Department Managers as Members.

The Risk Management Committee is specifically responsible for the following:

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

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

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

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

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

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

	Note	2021	2020 (As Restated)
Financial assets			
Cash and cash equivalents	*6*	1,210,089,334	1,567,924,602
Other investments	*7*	13,550,918	5,181,871
Receivables – net	*8*	774,478,233	338,493,999
		1,998,118,485	**1,911,600,472**
Financial liabilities			
Financial liabilities	*14*	189,338,616	251,958,737
Inter-agency payables	*15*	24,226,267	37,782,330
Trust liabilities	*16*	34,983,071	33,576,520
		248,547,954	**323,317,587**

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, the 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 following table shows the gross maximum exposure to credit risk of the TPB as of the years ended December 31, 2021 and 2020, without considering the effects of credit risk mitigation techniques.

	Note	2021	2020 (As Restated)
Financial assets			
Cash and cash equivalents	*6*	1,210,089,334	1,567,924,602
Other investments	*7*	13,550,918	5,181,871
Receivables*	*8*	774,478,233	338,493,999
		1,998,118,485	**1,911,600,472**

**Receivables at net of allowance for impairment amounting to P27,003,792 and P24,820,170 for the years ended December 31, 2021 and 2020, respectively.*

b. Management of credit risk

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

c. Settlement risk

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

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

d. Risk concentration of the maximum exposure to credit risk

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

e. Aging analysis

An aging analysis of the TPB's receivables as of the year ended December 31, 2021 is disclosed in Note 8.3.

f. Impairment assessment

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

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

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

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

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

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

5.3 *Liquidity Risk*

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

a. 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 the 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 the 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, 2021.

As at December 31, 2021	Within 1 Year	Over 1 – 5 Years	Over 5 Years	Total
Financial liabilities	189,338,616	-	-	189,338,616
Inter-agency payables	24,226,267	-	-	24,226,267
Trust liabilities	34,983,071	877,585,277	-	912,568,348
Other payables	20,955,656	-	-	20,955,656
Total	**269,503,610**	**877,585,277**	**-**	**1,147,088,887**

5.4 *Market Risks*

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

Management of market risk

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

5.5 *Operational Risks*

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

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

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

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

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

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020 (As Restated)
Cash in bank	1,209,969,334	1,567,804,602
Cash on hand	120,000	120,000
	1,210,089,334	**1,567,924,602**

The Cash in bank account includes the: (a) Special Account in the General Fund; (b) Special Contingency Fund; (c) Trust Liability Accounts Fund; and (d) Foreign Currency – Savings Dollar Account converted at P50.774 closing rate.

7. INVESTMENTS

This account consists of the following:

	2021			2020 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Available for sale securities	13,550,918	-	13,550,918	5,181,871	-	5,181,871
Investments in stocks	-	123,600	123,600	-	123,600	123,600
	13,550,918	**123,600**	**13,674,518**	**5,181,871**	**123,600**	**5,305,471**

7.1 Available for Sale Securities

This account consists earnings from the TPB Trust Fund with the LBP invested in financial securities at fair value through other comprehensive income.

7.2 Investment in stocks

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

7.3 Other Investments

This account represents the portion of the TPB Trust Fund with the LBP, consisting of the investments in financial securities which do not fall under the classification of Financial Assets at Fair Value though Other Comprehensive Income.

8. RECEIVABLES

This account consists of the following:

	2021	2020 (As Restated)
Inter-agency receivables		
Due from national government agencies	624,400,141	284,590,383
Less: Allowance for impairment-Due from national government agencies	(21,373,890)	(23,061,411)
Net Value	603,026,251	261,528,972
Due from local government units	148,638,397	76,752,049
Less: Allowance for impairment-Due from local government units	(428,140)	(1,504,041)
Net Value	148,210,257	75,248,008
Due from government-owned and/or controlled corporations	27,540,030	1,068,280
Less: Allowance for impairment-Due from government-owned and/or controlled corporations	(5,156,589)	(233,652)
Net Value	22,383,441	834,628
Sub-total –Inter-agency receivables, net	**773,619,949**	**337,611,608**
Other receivables		
Due from officers and employees	176,056	176,056
Less: Allowance for impairment-Due from officers and employees	(8,803)	(8,802)
Net Value	167,253	167,254

	2021	2020 (As Restated)
Other receivables	727,401	727,401
Less: Allowance for impairment- other receivables	(36,370)	(12,264)
Net Value	691,031	715,137
Sub-total –Other receivables, net	**858,284**	**882,391**
	774,478,233	**338,493,999**

8.1 Inter-agency receivables

8.1.1 Due from national government agencies (NGAs)

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

This account also includes receivables from the Department of Foreign Affairs (DFA) and the DOT amounting to P4,200,000 each representing unpaid annual contributions from other government agencies represented in the PCVC-Board of Trustees covering the period 1988 - 2008 at P200,000 per annum as provided for under Section 14.1 of Executive Order No. 120-A dated July 20, 1978.

Receivables from these two agencies were not accrued since 2009. An allowance for bad debts for these were never provided. The Board of Directors approved the writing off of the receivables from the DOT and the DFA but still needs the submission of approved budgets of these two agencies to prove that there were no appropriations provided for the annual contributions, as advised by the COA Resident Auditor. Once the documents required are complied with, the request for write off shall be forwarded to the COA.

8.1.2 Due from local government units (LGUs)

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

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

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

8.2 Other receivables

8.2.1 Due from officers and employees

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

8.2.2 Other receivables

Other receivables account represents over payment made to various suppliers.

8.3 Aging analysis of receivables as at December 31, 2021

	Not Past Due	Past Due < 30 days	Past Due > 60 days	Total
Inter-agency receivables:				
Due from NGAs	101,667,280	100,519,187	422,213,674	624,400,141
Due from LGUs	24,960,000	18,017,500	105,660,897	148,638,397
Due from GOCCs	20,000,000	1,407,000	6,133,030	27,540,030
Sub - total – Inter-agency receivables	146,627,280	119,943,687	534,007,601	800,578,568
Other receivables:				
Due from officers and employees	-	-	176,056	176,056
Other receivables	-	-	727,401	727,401
Sub- total – Other receivables	-	-	903,457	903,457
	146,627,280	**119,943,687**	**534,911,058**	**801,482,025**
Less: Allowance for impairment	(3,499,233)	(5,401,358)	(18,103,201)	(27,003,792)
Total Receivables, net	**P143,128,047**	**114,542,329**	**516,807,857**	**774,478,233**

9. INVENTORIES

	2021	2020 (As Restated)
	Inventories carried at lower of cost and net realizable value	Inventories carried at lower of cost and net realizable value
Office supplies inventory		
Carrying amount, January 1	3,454,473	2,168,058
Additions/acquisitions during the year	2,094,088	3,041,558
Expensed during the year except write-down	(3,025,508)	(1,755,143)
Carrying amount, December 31	**2,523,053**	**3,454,473**
Other supplies and material inventory		
Carrying amount, January 1	67,865,914	37,829,871
Additions/acquisitions during the year	93,068	43,125,454
Expensed during the year except write-down	(34,967,257)	(13,089,411)
Other Adjustments	(4,872,396)	-
Carrying amount, December 31	**28,119,329**	**67,865,914**
Semi-expendable inventory		
Carrying amount, January 1	-	-
Additions/acquisitions during the year	440,700	146,307
Expensed during the year except write-down	(440,700)	(146,307)
Carrying amount, December 31	-	**-**
	30,642,382	**71,320,387**

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

10. OTHER CURRENT ASSETS

This account consists of the following:

	2021	2020 (As Restated)
Advances:		
Advances to special disbursing officer	3,038,539	1,276,814
Sub- total – Advances	3,038,539	1,276,814
Prepayments:		
Prepaid rent	-	-
Prepaid insurance	73,957	39,028
Other prepayments	17,086,703	10,173,486
Sub- total – Prepayments	17,160,660	10,212,514
Deposits:		
Guaranty deposits	2,997,392	2,991,853
Sub- total – Deposits	2,997,392	2,991,853
	23,196,591	**14,481,181**

Prepaid insurance pertains to the unexpired portion as at December 31, 2021 of GSIS insurance premiums paid for vehicles.

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

10.1 Aging of advances to officers and employees as at December 31, 2021

	Not Past Due	Past Due		Total
		< 30 days	> 60 days	
Advances to special disbursing officer	2,298,000	-	740,539	3,038,539
	2,298,000	**-**	**740,539**	**3,038,539**

11. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

As at December 31, 2020 (Restated)

	Buildings and other structures	Office equipment	Info. & Com. tech. & equipment	Other machinery & equipment	Furniture & fixtures	Books	Motor vehicles	Total
Carrying amount, January 1, 2020	14,298,278	3,482,176	15,346,377	100,142	1,318,681	6,445	9,288,993	43,841,092
Additions/Acquisitions	50,000	375,353	5,576,537		120,000			6,121,890
Total	14,348,278	3,857,529	20,922,914	100,142	1,438,681	6,445	9,288,993	49,962,982
Disposals	-	(123,739)	(40,800)	-	-	-	-	(164,539)
Depreciation	(457,269)	(1,282,186)	(4,515,519)	(17,672)	(120,449)	-	(1,361,499)	(7,754,594)
Adjustment-	(50,000)	(251,201)	13,159	83,314	(101,793)	-		(306,521)
Carrying amount, December 31, 2020	**13,841,009**	**2,200,403**	**16,379,754**	**165,784**	**1,216,439**	**6,445**	**7,927,494**	**41,737,328**
Gross cost	24,004,753	6,564,412	43,894,757	578,203	1,910,048	64,450	16,895,852	93,912,475
Less: Accumulated depreciation	(10,163,744)	(4,364,009)	(27,515,003)	(412,419)	(693,609)	(58,005)	(8,968,358)	(52,175,147)
Carrying amount, December 31, 2020	**13,841,009**	**2,200,403**	**16,379,754**	**165,784**	**1,216,439**	**6,445**	**7,927,494**	**41,737,328**

As at December 31, 2021

	Buildings and other structures	Office equipment	Info. & Com. tech. & equipment	Other machinery & equipment	Furniture & fixtures	Books	Motor vehicles	Leased Assets Improve ments, Buildings	Total
Carrying amount, January 1, 2021	13,841,009	2,200,403	16,379,754	165,784	1,216,439	6,445	7,927,494	-	41,737,328
Additions/Acquisitions	50,000	505,075	5,362,409	-	-	-	6,659,800	995,000	13,572,284
Total	13,891,009	2,705,478	21,742,163	165,784	1,216,439	6,445	14,587,294	995,000	55,309,612
Disposals	-	(96,039)	(151,691)	(3,285)	-	-	-	-	(251,015)
Depreciation	(461,768)	(705,997)	(5,077,858)	(17,672)	(151,115)	-	(1,511,344)	-	(7,925,754)
Adjustment-	-	-	90	-	-	-	-	-	90
Carrying amount, December 31, 2021	**13,429,241**	**1,903,442**	**16,512,704**	**144,827**	**1,065,324**	**6,445**	**13,075,950**	**995,000**	**47,132,933**
Gross cost	24,054,753	6,495,183	48,074,078	545,350	1,673,042	64,450	23,555,652	995,000	105,457,508
Less: Accumulated depreciation	(10,625,512)	(4,591,741)	(31,561,374)	(400,523)	(607,718)	(58,005)	(10,479,702)	-	(58,324,575)
Carrying amount, December 31, 2021	**13,429,241**	**1,903,442**	**16,512,704**	**144,827**	**1,065,324**	**6,445**	**13,075,950**	**995,000**	**47,132,933**

Out of the total acquisition, P47,200 is unpaid as at December 31, 2021.

12. INTANGIBLE ASSETS

	2021	2020 (As Restated)
Carrying amount, January 1	2,748,275	2,278,275
Additions – acquisition	3,719,383	470,000
Carrying amount, December 31	**6,467,658**	**2,748,275**

The additions in the account pertains to the acquisition of computer software for procurement and human resources.

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

13. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2021	2020 (As Restated)
Restricted fund	877,585,277	877,585,277
	877,585,277	**877,585,277**

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

14. FINANCIAL LIABILITIES

This account consists of the following:

	2021	2020 (As Restated)
Payables	189,220,758	251,673,093
Tax refunds payable	117,858	285,644
	189,338,616	**251,958,737**

14.1 Payables

	2021	2020 (As Restated)
Accounts payable	179,047,852	246,589,354
Due to officers and employees	10,172,906	5,083,739
	189,220,758	**251,673,093**

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

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, 2021

	< 30 days	< 90 days	<360 days	> 360 days	Total
Accounts payable	73,241,419	-	-	105,806,433	179,047,852
Due to officers and employees	6,978,153	25,127	11,729	3,157,897	10,172,906
Tax refunds payable	117,858	-	-	-	117,858
	80,337,430	**25,127**	**11,729**	**108,964,330**	**189,338,616**

15. INTER-AGENCY PAYABLES

This account consists of the following:

	2021	2020 (As Restated)
Due to BIR	16,390,270	15,980,528
Due to GSIS	1,868,766	869,420
Due to Pag-IBIG	942,630	946,613
Due to PhilHealth	195,970	115,380
Due to Other NGAs	-	15,041,758
Due to GOCC	4,828,631	4,828,631
	24,226,267	**37,782,330**

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

16. TRUST LIABILITIES

	2021			2020 (As Restated)		
	Current	Non-current	Total	Current	Non-current	Total
Trust liabilities	146,700	877,585,277	877,731,977	-	877,585,277	877,585,277
Guaranty/security deposits payable	34,836,371	-	34,836,371	33,576,520	-	33,576,520
	34,983,071	**877,585,277**	**912,568,348**	**33,576,520**	**877,585,277**	**911,161,797**

The current portion and non-current portions of the Trust Liabilities consists of the payable to Employees' Provident Fund and the proceeds from the sale of Hilaga Property, respectively.

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

17. OTHER PAYABLES

	2021	2020 (As Restated)
Undistributed collections	17,055,855	3,997,216
Other payables	3,899,801	3,261,920
	20,955,656	**7,259,136**

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

18. REVENUES

This line item consists of the following:

	2021	2020 (As Restated)
Service income:		
Registration fees	-	1,206,954
Total service income	-	1,206,954
Business income:		
Other business income	1,614,757	244,500
Interest income	8,033,749	5,225,888
Fines and penalties	308,823	15,119
Total business income	9,957,329	5,485,507
	9,957,329	**6,692,461**

The interest income derived from investing activities amounts to P7,515,112 and P3,843,838 for CYs 2021 and 2020, respectively.

19. PERSONNEL SERVICES

This line item consists of:

	2021	2020 (As Restated)
Salaries and wages	64,616,670	54,234,102
Other compensation	33,714,818	33,641,913
Personnel benefit contributions	8,555,944	8,317,935
Other personnel benefits	3,801,186	9,448,794
	110,688,618	**105,642,744**

19.1 Salaries and wages

	2021	2020 (As Restated)
Salaries and wages – regular	64,616,670	54,234,102
	64,616,670	**54,234,102**

19.2 Other compensation

	2021	2020 (As Restated)
Personnel economic relief allowance	2,611,760	2,591,000
Representation allowance	2,055,435	1,980,352
Transportation allowance	2,044,875	1,859,602
Clothing/uniform allowance	642,000	660,000
Productivity incentive allowance	535,500	532,500
Hazard duty pay – civilian	405,500	135,500
Overtime and night pay	976,558	344,417
Cash gift	537,500	531,000
Year-end bonus	6,305,413	4,787,558
Mid-year bonus	4,929,860	4,375,729
Other bonuses and allowances	12,670,417	15,844,255
	33,714,818	**33,641,913**

19.3 Personnel benefit contributions

	2021	2020 (As Restated)
Retirement and life insurance premiums	7,531,422	7,279,316
Pag-IBIG contributions	132,100	139,700
PhilHealth contributions	762,722	759,619
Employees compensation insurance premiums	129,700	139,300
	8,555,944	**8,317,935**

19.4 Other personnel benefits

	2021	2020 (As Restated)
Terminal leave benefits	1,662,549	6,670,791
Other personnel benefits	2,128,637	2,721,003
Incentive and loyalty award	10,000	30,000
Retirement gratuity	-	27,000
	3,801,186	**9,448,794**

19.5 Employees future benefits

The permanent employees of the TPB contribute to the GSIS in accordance with the RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the Act applies. Social insurance (life and retirement) benefits are mandatory-defined contribution plans fixed at nine per cent of the basic salaries of regular government employees. Total contributions to GSIS for CY 2021 amounted to P12,685,469 broken down as follows: employees' share – P5,445,649 and government share – P7,239,820.

20. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of:

	2021	2020 (As Restated)
Traveling expenses	3,859,768	8,692,499
Training and scholarship expenses	4,477,504	6,494,152
Supplies and materials expenses	7,631,392	4,890,951
Utility expenses	2,096,757	1,737,505
Communication expenses	4,712,881	3,224,874
Confidential, intelligence and extraordinary expenses	544,564	532,284
Professional services	26,414,086	26,013,733
Awards, rewards, and prizes	163,500	-
General services	9,866,904	9,349,298
Repairs and maintenance	2,488,218	1,108,161
Taxes, insurance premiums and other fees	3,066,479	2,628,622
Other maintenance and operating expenses	370,563,224	503,313,239
	435,885,277	**567,985,318**

20.1 Traveling expenses

	2021	2020 (As Restated)
Traveling expenses-local	3,005,111	5,727,362
Traveling expenses-foreign	854,657	2,965,137
	3,859,768	**8,692,499**

20.2 Training and scholarship expenses

	2021	2020 (As Restated)
Training expenses	4,477,504	6,494,152
	4,477,504	**6,494,152**

20.3 Supplies and materials expenses

	2021	2020 (As Restated)
Office supplies expenses	3,488,235	1,919,094
Fuel, oil & lubricants expenses	1,217,741	823,679
Semi-expendable office equipment expense	71,570	-
Semi-expendable information and communications technology equipment expenses	16,700	-
Semi-expendable other machinery & equipment expenses	44,464	4,600
Semi-expendable furniture and fixtures	318,089	55,050
Other supplies expense	2,474,593	2,088,528
	7,631,392	**4,890,951**

20.4 Utility expenses

	2021	2020 (As Restated)
Water expenses	101,099	16,928
Electricity expenses	1,995,658	1,720,577
	2,096,757	**1,737,505**

20.5 Communication expenses

	2021	2020 (As Restated)
Telephone expenses	1,879,894	1,667,550
Internet subscription expenses	2,832,987	1,557,324
	4,712,881	**3,224,874**

20.6 Confidential, intelligence and extraordinary expenses

	2021	2020 (As Restated)
Extraordinary and miscellaneous expenses	544,564	532,284
	544,564	**532,284**

20.7 Professional services

	2021	2020 (As Restated)
Legal services	-	3,000,000
Auditing services	3,742,683	1,720,638
Consultancy services	3,608,540	1,879,703
Other professional services	19,062,863	19,413,392
	26,414,086	**26,013,733**

Other professional services pertains to the compensation of job order personnel.

20.8 Awards, Rewards, and Prizes

	2021	2020 (As Restated)
Award/ rewards expenses	120,000	-
Prizes	43,500	-
	163,500	**-**

20.9 General services

	2021	2020 (As Restated)
Security services	3,931,202	3,458,330
Janitorial services	5,935,702	5,890,968
	9,866,904	**9,349,298**

20.10 Repairs and maintenance

	2021	2020 (As Restated)
Repairs and maintenance-buildings and other structures	475,976	202,013
Repairs and maintenance-machinery and equipment	429,989	164,712
Repairs and maintenance-transportation equipment	1,246,843	687,136
Repairs and maintenance-furniture and fixtures	335,410	54,300
	2,488,218	**1,108,161**

20.11 Taxes, insurance premiums and other fees

	2021	2020 (As Restated)
Taxes, duties and licenses	408,138	430,996
Insurance expenses	417,214	1,861,995
Fidelity bond premiums	2,241,127	335,631
	3,066,479	**2,628,622**

20.12 Other maintenance and operating expenses

	2021	2020 (As Restated)
Advertising, promotional and marketing expenses	340,005,294	480,861,156
Printing and publication expenses	76,000	-
Representation expenses	1,110,589	358,696
Transportation and delivery expenses	4,330,803	1,353,935
Rent/lease expenses	8,781,592	10,817,148
Membership dues and contributions to organizations	1,823,046	1,874,944
Postage and courier services	3,108,584	3,897,770
Subscription expenses	5,241,595	3,244,720
Donations	-	2,284
Board of Directors allowance and other benefits	251,000	340,710
Other maintenance and operating expenses	5,834,721	561,876
	370,563,224	**503,313,239**

The Advertising, promotional and marketing expenses pertains to the expenses incurred for the implementation of tourism programs, projects and or events.

21. FINANCIAL EXPENSES

	2021	2020 (As Restated)
Bank charges	373,218	1,073,442
	373,218	**1,073,442**

22. NON-CASH EXPENSES

This account consists of the following:

	2021	2020 (As Restated)
Depreciation-buildings and other structures	461,768	457,269
Depreciation-machinery and equipment	5,801,527	5,815,377
Depreciation-transportation equipment	1,511,344	1,361,499
Depreciation-furniture, fixtures and books	151,115	120,449
Depreciation-other property plant and equipment	-	-
Impairment loss-loans and receivables	4,947,044	15,061,176
	12,872,798	**22,815,770**

23. OTHER NON-OPERATING INCOME

	2021	2020 (As Restated)
Reversal of impairment loss	2,763,422	-
Miscellaneous income	1,903	5,703
	2,765,325	**5,703**

24. GAINS

This line item consists of the following:

	2021	2020 (As Restated)
Gain on foreign exchange (FOREX)	5,046,029	208
Gain on Sale of PPE	17,226	-
	5,063,255	**208**

25. LOSSES

This line item consists of the following:

	2021	2020 (As Restated)
Loss on FOREX	2,074,759	3,937,030
Loss on sale of PPE	137,541	128,189
	2,212,300	**4,065,219**

26. ASSISTANCE/SUBSIDY

	2021	2020 (As Restated)
Subsidy income from Special Account in the General Fund (SAGF)	828,394,574	1,090,198,827
Subsidy income from other national government agencies	-	155,300,059
	828,394,574	**1,245,498,886**

The subsidy income from SAGF consists of subsidy from SAGF – Philippine Amusement and Gaming Corporation (PAGCOR), seaports and airports less reversions. The total subsidy income from SAGF received in the CY 2021 is P1,741,720,000. Out of the total subsidy received in CY 2021, P913,325,426 was reverted to the Bureau of the Treasury.

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

	2021	2020
Surplus for the year	284,148,272	550,614,765
Depreciation	7,925,754	7,754,594
Impairment loss – loans and receivables	4,947,044	15,061,176
Losses	2,212,300	4,065,219
Gains	(5,063,255)	(208)
Return of SAGF funds to National Treasury	(159,481,947)	(389,904,147)
Interest earned categorized as investing activity	(7,515,112)	(3,843,838)
Prior period adjustments	-	178,451,923
(Increase) Decrease in receivables less impairment losses recognized	(440,931,278)	(157,279,542)
(Increase) Decrease in inventories	40,678,005	(31,322,458)
(Increase) Decrease in other assets less adjustment due to disposal	(9,500,737)	(3,744,705)
Increase (Decrease) in financial liabilities less unpaid PPE acquisition and prior year expenses adjusted in 2021	(65,718,288)	(321,072,063)
Increase (Decrease) in inter-agency payables	(13,556,063)	(191,362,743)
Increase (Decrease) in trust liabilities	1,406,551	(101,734)
Increase (Decrease) in other payables	13,696,520	5,174,193
Net cash flows from operating activities	**(346,752,234)**	**(337,509,568)**

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 COO, the Deputy COOs 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 board members representing TIEZA, DFA, Department of Trade and Industry, Department of Transportation 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 receive per diem for every board meeting attended. The following is the aggregate remuneration for the COO, inclusive of the remuneration pay of officers who are/were permanently appointed and acted as COO throughout CY 2021 and are/were part of the organization’s structure/plantilla and on a fulltime basis:

	Aggregate remuneration
Salaries and wages	4,558,920
Other compensation	2,161,730
Total personnel benefits	**6,720,650**

29. UNREALIZED GAIN/(LOSS)

This account represents the unrealized gain on changes in fair market value on the investments managed by LBP.

30. GOVERNMENT EQUITY

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

30.1 Capital management

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

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

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

31. ACCUMULATED SURPLUS

	Amount
Accumulated surplus, January 1, 2020 (As Restated)	1,117,938,729
Adjustments due to prior period errors:	
Unrecorded depreciation expense in CY 2013 - 2017	(118,430)
Over-recorded advertising, promotional and marketing expenses for CYs 2015 - 2019	227,886,074
Unrecorded advertising, promotional and marketing expenses in CYs 2015 - 2019	(45,677,954)
Over-recording of other business income CY 2013 - 2015	(352,994)
Accumulated Surplus, January 1, 2020 (As Restated)	**1,299,675,425**
Surplus/(Deficit) for 2020, as previously stated	615,921,049
Adjustments due to prior period errors:	
Unrecorded interest income	3,843,837
Over-recording of registration fees	(362,032)
Over-recording of salaries and wages	384,326
Over-recording of telephone expenses	5
Under-recording of advertising, promotional and marketing expenses	(69,176,170)

	Amount
Over-recording of depreciation expenses	3,750
Other Adjustment:	
Reversion of Cash – Treasury, special account	(389,904,147)
Accumulated Surplus, December 31, 2020 (As restated)	**1,460,386,043**
Surplus for 2021	284,148,272
Other Adjustment:	
Reversion of Cash – Treasury, special account	(159,481,947)
Accumulated Surplus, December 31, 2021	**1,585,052,368**

The prior year's adjustments represent various unrecorded expenses due to late submission of liquidation reports by the Philippine DOT foreign/local offices. Prior period errors represent all the unaccrued expenses in CY 2020.

32. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for December 31, 2021 is the proposed Corporate Operating Budget (COB) for the year 2021 submitted to the DBM for review/evaluation, while the *final budget* is the amount as approved by DBM on September 13, 2021. The proposed/original COB is prepared considering: (a) the Agency's various programs, projects and activities in pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) actual expenses in previous years; and (d) effects of inflation.

During the year, the Agency has received subsidy from the Special Account in the General Fund in the amount of P1,741,720,000.

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

a. Reduction in the level of budget for Personnel Services due to over-provision for Loyalty Award and Token, and the disapproval of allocation for the implementation of the Salary Standardization Law 5.

b. Reduction in the level of budget for Maintenance and Other Operating Expenses due to the excess in the computation considering the activity details provided, authorized rates per General Appropriations Act, audited/actual expenses and inflation.

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

33.1 Revenue Regulation No. 15-2010

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

	Amount withheld	Amount remitted
On compensation	4,994,567	4,994,567
Expanded creditable income tax	4,859,069	4,859,069
VAT from suppliers and contractor/other percentage taxes	85,500	85,500
Total	**9,939,136**	**9,939,136**

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

34. COMPLIANCE WITH GSIS LAW, RA NO. 8291

The TPB has been regularly deducting premiums from its employees and remitting the total amount withheld as well as the government share to the GSIS. The employees' and employer's share remitted to GSIS for CYs 2021 and 2020 were as follows:

	2021	2020
Employees' share	5,445,649	5,146,906
Employer's share	7,239,820	6,886,734
	12,685,469	**12,033,640**

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation in the financial statements of the Receivables account with a balance of P801.482 million with carrying amount of P774.478 million as of December 31, 2021 could not be ascertained due to the unreliability of the balance of the Inter-Agency Receivables (IAR) of P773.620 million, contrary to Paragraph 27 of International Public Sector Accounting Standard 1. The IAR balance of P773.620 million differs by P22.935 million as compared with the total of its Subsidiary Ledger (SL) balances, and results of confirmation of 10 sample accounts with SL balance totaling P85.025 million disclosed a discrepancy of P41.132 million.

1.1. Paragraph 3.10 of the Financial Reporting by Public Sector and Paragraph 27 of International Public Sector Accounting Standard (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. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.

1.2. The receivables account of the TPB as of December 31, 2021, has a balance of P801.482 million with carrying amount of P774.478 million composed of the following:

Table 1 – Composition of Receivables Account

Account	Gross Amount	Allowance for Impairment	Carrying Amount
IAR			
Due from NGAs	P624,400,141	P21,373,890	P603,026,251
Due from LGUs	148,638,397	428,140	148,210,257
Due from GOCCs	27,540,030	5,156,589	22,383,441
Sub-total IAR	800,578,568	26,958,619	773,619,949
Other Receivables			
Due from Officers and Employees	176,056	8,803	167,253
Other Receivables	727,401	36,370	691,031
Sub-total Other Receivables	903,457	45,173	858,284
Total	**P801,482,025**	**P27,003,792**	**P774,478,233**

1.3. The IAR which represents 99.89 per cent of the carrying amount of the receivables, covers the current and prior years' unliquidated fund transfers (FTs) of various National Government Agencies (NGAs), Local Government Units (LGUs), and Government-Owned and/or Controlled Corporations (GOCCs.) The TPB transfers funds to these government entities to implement some of its programs and projects, subject to liquidation or submission of the documents covering the utilization of the funds and/or completion of the intended program/project.

Discrepancy of P22.935 million between the General Ledger (GL) and the total of its SL balances

1.4. The Accounting Division (AD) maintains SLs for each Implementing Agency (IA) and/or project/program showing the amount of the FTs, the liquidations, and balance. The SL which shows the details of the FTs, serves as the breakdown or supporting record of the amount recorded in the GL, the controlling account. Hence, the total of the SL balances should equal or tally with the GL balance for a given period or date.

1.5. Verification however disclosed that the balance of the IAR per GL of P773.620 million as of year end differs by P22.935 million as compared with the total of its SL balances of P750.685 million. The AD also prepared a Status Report of Fund Transfers (SRFT), but the balances reflected therein, did not also tally with those in the GL and SL.

1.6. The AD explained that they are having difficulty reconciling the balances as they need to trace the prior years' records and coordinate with the concerned Tourism Attachés (TAs)/Market Representatives. Nonetheless, they were able to reduce the discrepancy between the GL and SLs from P31.849 million in Calendar Years (CYs) 2020 to P22.935 million in CY 2021.

Discrepancies of P41.132 million between SL balances and the amount confirmed by IAs

1.7. To further validate the balances in the TPB records, the Team sent out confirmation letters to the concerned NGAS, LGUs, and GOCCs. Out of the 68 confirmation letters, only 19 replied, and 10 yielded a net variance of P41.132 million between the SL of the TPB and the records of the IAs as presented in Table 2.

Table 2 - Variances between SL and amount confirmed by IAs

Account	Per SL	Per Confirmation	Variance
Due from NGAs			
PDOT Korea	21,465,082.70	18,081,091.89	3,383,990.81
PDOT Beijing	85,971.31	476,607.89	(390,636.58)
Region X	4,850,000.00	2,211,708.77	2,638,291.23
National Parks and Development Committee	61,090.00	79,788.96	(18,698.96)
Philippine General Hospital	9,999,900.00	-	9,999,900.00
Due from LGUs			
Pasil Municipal Trust Fund	2,802,200.00	2,802,500.00	(300.00)
Provincial Government of Bohol	6,507,845.00	1,198,930.00	5,308,915.00
Provincial Government of Baguio	13,346,401.35	13,146,401.35	200,000.00
Due from GOCCs			
PCMC	25,406,999.00	5,896,499.00	19,510,500.00
Duty Free Philippines Corporation	500,000	-	500,000
Total	**P85,025,489.36**	**P43,893,527.86**	**P41,131,961.50**

1.8. As supporting documents to the confirmation reply, Philippine Department of Tourism - Korea attached its proof of liquidation, i.e. the liquidation vouchers and its attachments as they averred that the balance reflected in the amount confirmed was partly liquidated as per their records. Copies of the confirmation replies were furnished to the AD but as of the audit report, the AD has yet to coordinate and reconcile with the concerned IAs.

1.9. In view of the noted discrepancies, the reliability of the IAR balance of P773.620 million is doubtful, thus affecting the fair presentation of the receivables account balance of P774.478 million in the Financial Statements (FS).

1.10. **We recommended that Management direct the Finance Department, particularly the AD to:**

a. **Exert more efforts in tracing/verifying the discrepancy between the GL and SLs balances, thereafter ensure that the SLs are properly maintained/updated;**

b. **Send confirmation letters to the IAs, and for those balances which are confirmed liquidated, coordinate with their respective AD and request for a copy of the Reports of Checks Issued (RCI) and other related documents to support the liquidation; and**

c. **Make the corrections/adjustments in the records/books of the TPB as necessary.**

1.11. Management committed to continue the reconciliation of the noted variances among the FS, SL, and SRFT and effect the necessary adjustments, if necessary. Further, the Finance Department informed the Team that the AD would request the Personnel and Human Resources Development Division (PHRDD) to hire an additional Job Order to assist in the reconciliation. Lastly, the AD explained that the variances noted from the confirmation are mostly due to timing of the recording of the liquidations from the IA. For the TPB, they still have a balance because the Liquidation Reports were only recorded in January 2022 upon receipt of the physical documents while the IA, no longer has a balance since they have already recorded their liquidations on December 31, 2021.

2. Non-submission of the liquidating documents on completed programs or projects covered by the fund transfers of the TPB to various implementing agencies amounting to P402.165 million, resulted in the non-recording of the expenses, consequently understating the expense and overstating the accumulated surplus/(deficit) accounts of the TPB for an undetermined amount, contrary to paragraph 27 of International Public Sector Accounting Standard 1.

2.1. Paragraph 27 of IPSAS 1, 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 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. COA Circular No. 94-013 dated December 13, 1994, prescribes the *Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies.* Pertinent sections are quoted below:

Section 4.1

> *The SA shall enter into an agreement with the IA for the undertaking by the latter of the project of the former. The Agreement shall provide for the requirements for project implementation and reporting.*

Section 4.6

> *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.*

Section 5.4

> *The SA shall*
>
> *require the IA to submit the reports and furnish the IA with a copy of the journal voucher taking up the expenditures. Xxx.*

Section 6.7 –

> *The IA shall*
>
> *return to the SA any unused balance and refund of disallowance upon completion of the project.*

2.3. The Circular likewise requires the IA and the Source Agency (SA) to maintain an SL for the FTs.

2.4. As discussed in paragraph 1.3 of this report, the TPB transfers funds to various NGAs, LGUs, and GOCCs for the implementation of certain programs and projects subject to liquidation/submission of documents by the IAs, in accordance with the cited COA Circular. These FTs are covered by Memoranda of Agreement (MOA) between TPB and the IAs and the period for which the program/project is to be performed/completed is stipulated therein.

2.5. Using the MOA and the monitoring report showing the status of the FTs as the basis, it appeared that the programs and projects covered by the FTs totaling P402.165 million had already been completed/implemented by the IAs, with the breakdown as presented in Table 3.

Table 3 - Completed Projects based on MOA

	Implemented in Prior Year since CY 2013	Implemented in CY 2021	Total Implemented Projects
Due from NGAs	140,585,777.33	125,725,218.97	266,310,996.30
Due from LGUs	75,014,144.55	57,299,510.32	132,313,654.87
Due from GOCCs	2,133,030.66	1,407,000.00	3,540,030.66
Total	**217,732,952.54**	**184,431,729.29**	**402,164,681.83**

* Data based on SRFT since it provides information on prior years fund transfers and liquidation

2.6. Most, if not all of these FTs were obligated using the budget for Maintenance and Other Operating Expenses of the TPB. Since the programs and projects covered by the FTs involve the promotion and advertising of the Philippines and the tourism industry, the expenditures or liquidations of the FTs are recorded under the *Advertising and Promotional Expense* account.

2.7. That said, the non-liquidation or late submission by the IAs of the documents covering the utilization of the subject FTs resulted in the non-recognition of the expenses in the year of its occurrence. Consequently, the *Advertising and Promotional Expense* account is understated while the Accumulated Surplus/(Deficit) is overstated. However, the exact amount of the under/overstatement cannot be determined until the liquidations documents are submitted to the TPB. This is so because there are instances where the amount of the FTs is not fully utilized and the excess has to be returned by the IA to the TPB.

2.8. Per inquiry and review of the vouchers and its supporting documents, one of the main reasons for the accumulation of the balances is the granting of additional FTs to some IAs even those with unliquidated accounts. This practice was observed particularly to those granted to the Foreign Office/TA of the Department of Tourism (DOT). As explained by Finance Department and the International Promotions Department, additional FTs were granted to DOT due to the exigency of the service and so as not to hamper the TPB's operations and/or in fulfilling their mandate – advertisement/promotion of the Philippines in foreign countries. Due to lack of manpower, the TPB had to rely on the TAs abroad to implement the TPB's programs and projects.

2.9. However, the Audit Team noted that the TPB has yet to make a formal demand on the concerned IAs for the immediate liquidation and return of any unutilized funds. The subject FTs are part of the balance of the IAR account of the TPB.

2.10. **We recommended that Management:**

a. **Make a final demand for the liquidation of the FTs and assess the need to initiate other appropriate actions to facilitate and/or cause the immediate liquidation of the FTs for completed projects; and**

b. **Direct the AD to:**

b.1 Properly monitor the FTs by regularly coordinating with the IAs and demand the immediate submission of the liquidation documents for completed programs/projects, and the refund of excess fund, if any;

b.2 Effect the necessary adjustments once the FTs are liquidated; and

b.3 Strictly comply with the provisions of COA Circular No. 94-013.

2.11. Management informed the Team that although the AD has continuously issued a demand letter every month, it will now make a Final Demand Letter for the settlement of the unliquidated funds and take appropriate action for the return of these funds. The AD also committed that on a monthly basis, submission of the RCI, Report of Disbursements (RDs), and other relevant documents for FTs will be followed up.

3. The faithful representation in the financial statements of the balance of the Inventories account with a carrying amount of P30.642 million as of December 31, 2021 was not established due to the variance of P8.323 million between the General Ledger balance of Other Supplies and Materials Inventory sub-account of P28.119 million and the balance per Report on Annual Inventory on Promotional Materials and Giveaways of P19.796 million contrary to Paragraph 27 of International Public Sector Accounting Standard 1.

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

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

achieve a fair presentation.

3.2. In CY 2021, the TPB conducted physical count of inventory duly witnessed by a representative from the Audit Team. Also, examination of records showed that the Annual Inventory of Promotional Materials and Giveaways (AIPMG) amounting to P19.798 million is reconciled with the Stock Cards (SC) of the General Services Division (GSD). The AIPMG is recorded in the books under Other Supplies and Materials Inventory (OSMI).

3.3. However, the balance of the OSMI per inventory count of P19.798 million yielded a variance of P8.323 million compared with the GL balance of P28.119 million. According to the AD, the variance can be attributed to the non-inclusion in the physical count of some items which were merely transferred by the GSD to other departments but has yet to be released to the end-users.

3.4. Likewise, it was noted that the balances in the Supplies Ledger Card (SLC) of OSMI did not also tally with the GL balance. It was learned that the SLCs and the SCs were maintained starting CY 2021 only and that the data in the SLCs were merely copied from the SCs.

3.5. According to the AD, efforts had been exerted by their Office and the GSD, that the variance in CY 2020 of P15.680 million was significantly reduced to P8.323 million and reconciliation is still ongoing for the remaining variance. The AD further explained that the remaining variance could be attributed to prior years' errors in recording and updating their respective books.

3.6. **We recommended that Management direct the AD and/or GSD to:**

a. **Continue the reconciliation of the remaining unaccounted variance of P8.323 million;**

b. **Include in the inventory report the promotional items transferred to other department/s yet to be released to end-users, to reflect the correct inventory balance as of December 31, 2021, and,**

c. **Update their respective books/records/reports, and thereafter, observe a periodic reconciliation of their inventory records.**

3.7. Management informed that they will comply with the recommendations of the Team. They also explained that once the promotional items are released to different departments documented through the Requisition and Issuance Slip, the GSD no longer has control over the distribution of the said inventories. Thus, the GSD was not able to include the said items in the inventory forms. However, the GSD shall henceforth require the different departments to submit to the Property Custodian a memorandum indicating the breakdown of all promotional items that were not yet released to the intended recipients. The GSD will then include/add these back to the SC and forward the documents to the AD for proper recording.

4. The balance of the *Inter-Agency Payable* account of P24.226 million is not fairly presented in the books due to: (a) derecognition of the *Due to National Government Agencies* account of P196.853 million despite the non-reversion/remittance of the fund to the National Treasury; and (b) variance totaling P1.037 million between the amounts per book and amounts confirmed by the concerned Government-Owned and/or Controlled Corporations, contrary to Paragraph 27 of International Public Sector Accounting Standard 1.

4.1. Paragraph 27 of IPSAS 1, requires that information, in order to be useful, should faithfully represent the transactions, other events, and conditions in accordance with the definition and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.

4.2. Item 4.6 and 6.7 of COA Circular No. 94-013 require the IA to submit to the SA within 10 days after the end of each month or end of the agreed period for the project, the RCI/RD to report the utilization of the funds and to return to the SA any unused balance upon completion of the project.

4.3. Likewise, Sections 82, 88, 81, 83, and 10 of the General Provisions of the General Appropriations Act (GAA) for Fiscal Years (FYs) 2015, 2016, 2017, 2018, and 2019 respectively, provide that:

> *xxx unexpended balances of appropriation authorized in this Act shall revert to the General Fund at the end of the validity of appropriation and shall not be available for expenditure except by subsequent legislative enactment; xxx*

Derecognition of the balance of Due to NGAs of P196.853 million despite the non-remittance of the fund to the National Treasury

4.4. In CY 2020, the Audit Team called the attention of the Management on its long outstanding unliquidated funds received from various NGAs and GOCCs amounting to P211.895 million and P4.829 million, respectively, as well as recommended measures to address the same, to wit:

> *Funds received from various Source Agencies (SAs) totaling P216.724 million remained outstanding/unliquidated for more than one year, contrary to Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013 dated December 13, 1994.*
>
> *We recommended and Management agreed to direct the Accounting Division to locate all the MOAs, RCIs and RDs to facilitate the liquidation or return of the excess funds to the concerned SAs.*

4.5. To implement the aforesaid recommendation, the AD claimed that they had reconciled their records with the DOT. As a result of the reconciliation, the

AD, on December 31, 2021, adjusted its books using the following entries:

Date	JEV No.	Accounts	Debit	Credit
12/31/2021	2021-12-1435	Due to NGAs	196,853,362.63	
		Due to Other Funds		196,853,362.63
		To close balance of Due to Other NGAs.		
12/31/2021	2021-12-1452	Due from Other Funds	196,853,362.63	
		Accumulated Surplus/ Deficit		196,853,362.63
		To close balance of Due to Other NGAs.		

4.6. The AD explained that the amount of P196.853 million was the difference between the amount of the TPBs Due to DOT of P211.895 million and the DOT's Due from TPB of P15.042 million.

4.7. The above entries connote that the TPB had reverted and remitted the amount of P196.853 million to the National Treasury. However, upon verification, the Audit Team found out that the TPB was still in the process of collating and preparing the documents, and the amount has yet to be remitted to the Bureau of Treasury (BTr) as of December 31, 2021.

4.8. Apparently, the above journal entries made by the AD on December 31, 2021, were not correct considering that the TPB has not remitted the amount to the BTr as of that date. This error resulted in the understatement of the Due to NGAs account by P196.853 million and overstatement of the Accumulated Surplus/deficit by the same amount.

Variance totaling P1.037 million between the amounts confirmed by source GOCCs and per books

4.9. Examination of the account Due to GOCCs showed that these balances have been long outstanding for several years and remained non-moving in CY 2021. Similar to the previous years' observation, the AD has yet to provide supporting documents to substantiate the amount recorded. Details of the account are presented in Table 4.

Table 4 – Details of funds received from other GOCCs

No.	Year Received	Name of GOCC	Amount
1.	2006	Florikultura	P146,781.05
2.	2011	Pinoy Homecoming	142,664.35
3.	2007	Philippine. Tourism Authority (now TIEZA)	434,305.47
4.	2006	DFPC	690,000.00
5.	2015	TIEZA – Rehabilitation	3,000,000.00
6.	2013	TIEZA – NASCAR	414,880.00
		TOTAL	**P4,828,630.87**

4.10. For lack of record, the Audit Team was not able to verify the accounts of Florikultura and Pinoy Homecomings. For the accounts of the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and the Duty Free Philippines Corporation (DFPC), confirmation letters were sent which yielded a variance of P1.037 million as shown in Table 5.

Table 5 – Result of Confirmation

No.	Name of GOCCs	Per Books	Confirmation	Variance
1.	TIEZA	P3,849,185.47	P3,501,980.60	P347,204.87
2.	DFPC	690,000.00	-	690,000.00
		P4,539,185.47	**P3,501,980.60**	**P1,037,204.87**

4.11. The AD explained that they have yet to check their files to know the cause/s of the discrepancies before adjustments/corrections are made in the records/books.

4.12. **We recommended and Management agreed to direct the AD and/or other concerned offices to:**

a. Prepare an adjusting entry for the derecognized amount of P196.853 million to correct the understatement of the Due to NGAs account and overstatement of the Accumulated Surplus as of December 31, 2021;

b. Revert/remit to the National Treasury the subject amount, thereafter record the remittance/reversion;

c. Coordinate with the DFPC and the TIEZA on the noted variance. For the account with the DFPC, exert effort to locate the records/documents, and prepare the adjusting entry in the books; for the account with the TIEZA, if the project has been completed, collate the liquidation documents and submit the same to the TIEZA; likewise, make the adjustments in the books; and

d. For the two unidentified long outstanding accounts (Florikultura and Pinoy Homecoming), provide the necessary adjusting entries to revert them to Accumulated Surplus/(Deficit).

4.13. Management informed that the disbursement voucher for the reversion of funds to the National Treasury is already being processed. The AD also ensures that thereafter, all funds received from source agencies are utilized according to its purpose and revert the same in a timely manner, if unutilized. Also, liquidation reports for some of the Due to GOCCs are being processed. Further, the AD will request the PHRDD to hire an additional Job Order to assist in the retrieval of the documents as well as in the reconciliation process.

5. The faithful representation of Due to Officers and Employees, Guaranty/Security Deposits, and Other Payables account amounting to P10.173 million, P34.836 million, and P20.956 million, respectively, could not be ascertained due to some negative balances of the accounts totaling P7.423 million, contrary to Paragraph 27 of International Public Sector Accounting Standard 1.

5.1. 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."*

5.2. The Audit Team noted a total of P7.423 million negative balances in the accounts Due to Officers and Employees, Guaranty/Security Deposits, and Other Payables. These negative balances misstated the affected accounts since they reduced the actual outstanding balance of these payable accounts. Summary of the accounts with negative balances is presented in detail in Annex A.

5.3. The AD explained that they have difficulty in identifying the causes of the negative balances since it originated in prior years, hence, no reconciliation statements were provided.

5.4. **We recommended that Management direct the Finance Department to Instruct the AD to exert all efforts in identifying and reconciling all accounts with negative balances so as to avoid offsetting of these balances against the outstanding balance and make the necessary adjusting entries to correct the balances of the affected accounts.**

5.5. The Management informed the Team that the Accounting Division shall reconcile the prior-year records to determine the cause of the negative balances and prepare the necessary adjusting entries.

B. NON-FINANCIAL

6. The TPB did not declare and remit the to the National Treasury the required dividends totaling P7.903 million representing 50 per cent of the Net Earnings of the TPB in CYs 2021 and 2020, contrary to the 2016 Revised Implementing Rules and Regulations of Republic Act No. 7656, otherwise known as the Dividend Law, thereby depriving the National Government of the additional funds to carry out its various project and programs and exposing the TPB to unnecessary interests and penalties.

6.1. The following are the salient provisions of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 7656, otherwise known as the Dividend Law relevant to this observation:

a. Section 5 Dividends:

> *"a. Except as otherwise provided herein, all GOCCs covered by these Rules, regardless of shareholdings, shall annually declare and remit Dividends directly to the National Government in the name of the Treasurer of the Philippines in accordance with the following guidelines:*
>
> *i. On or before 15 May of each year, at least fifty percent (50%) of their Net Earnings, as Cash, Stock and/or Property Dividends to the National Government. xxx"*

b. Net Earnings mentioned above is defined in Section 3 (i) as:

> *"Net Earnings" refers to income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as a deduction from Net Earnings. For avoidance of doubt, "Net Earnings" shall include:*
>
> *xxx*
>
> *Provided, further that:*
>
> *1. Net Earnings shall not include program subsidies and subsidies granted to settle tax obligations for prior years if included in the income statement as revenues, and actual disbursements of program subsidies treated as expenses. In the case of operating subsidies, these shall be considered part of revenues;*
>
> *2. Net Earnings shall not include dividends income remitted directly to the National Government in compliance with Section 5(h) of these rules; and*

3. This definition of Net earnings shall likewise apply to GOCCs that are exempted from income tax."

6.2. In CYs 2021 and 2020, the TPB generated net earnings in the amount of P9.374 million and P6.432 million, respectively as presented in Table 6. The amount of Net Earnings was computed based on the consolidated Statements of Financial Operations (SFO) in the Consolidated FS less program subsidies

Table 6 - Computation of Net Earnings

CY 2021 Net earnings

Particulars	As Presented in consolidated SFO	Program Subsidies (Fund 05 – SAGF)	Computation of Net Earnings
Revenues	9,957,329	583,580	9,373,749
Add: Subsidy income	828,394,574	828,394,574	-
Less: Expenses	559,819,911	559,819,911	-
Income	**278,531,992**	**269,158,243**	**9,373,749**

CY 2020 Net earnings

Particulars	As Presented in consolidated SFO	Program Subsidies (Fund 05 – SAGF)	Computation of Net Earnings
Revenues	6,692,461	230,209	6,462,252
Add: Subsidy income	1,245,498,886	1,245,498,886	-
Less: Expenses	697,517,274	697,487,366	29,908
Income	**554,674,073**	**548,241,729**	**6,432,344**

6.3. The data of program subsidies is based on the FS/Reports for Fund No. 03, Special Account in the General Fund (SAGF). The subsidy income as well as the expenses incurred and paid out of the subsidy was excluded in the computation of net earnings pursuant to the previously cited provisions of Section 5 of the 2016 RIRR of RA No. 7656. The net earnings are primarily derived from the revenues/income earned from the investments managed by the Land Bank of the Philippines (LBP). Despite the existence of the Net Earnings, the TPB was unable to declare the required 50 per cent dividends on the aforesaid net earnings amounting to P4.687 million and P3.216 million for CYs 2021 and 2020, respectively, for a total of P7.903 million.

6.4. In line with the quoted provisions of the RIRR and in view of net earnings for CYs 2020 and 2021, the TPB should have declared and remitted the dividends. On the other hand, the TPB may resort to options likewise provided in the said RIRR such as rate adjustment subject to a request from the Department of Finance (DOF). Furthermore, collection of dividends is aligned with the DOF's thrust in preventing any excess or idle cash among GOCCs as well as in improving the revenue generation for the government provided that the purpose for which the GOCC has been established is not impaired.

6.5. Inquiry with the AD disclosed that the TPB received a letter dated March 30, 2022 from the Assistant Secretary, Corporate Affairs of the DOF reminding them to remit dividends to the BTr of at least 50 per cent of their net earnings in 2021 by April 21, 2022. However, in its letter to the DOF dated April 1, 2022, the TPB contested that since 2019, they had incurred continuous yearly deficits before subsidy, thus, are not required to declare and remit the said dividends. As of the date of the audit report, however, no response from the DOF was received by the TPB.

6.6. In view of the non-compliance with the required declaration and remittance, the National Government was deprived of additional funds to carry out its various project and programs and exposed the TPB to unnecessary interests and penalties.

6.7. **We recommended that the Management direct the Finance Department to compute the final amount of net earnings and the required dividends to be declared and for the Board of Directors to declare the 50 per cent dividends thereon.**

6.8. **Further, we recommended that the Management comply with the provisions of the 2016 RIRR of RA No. 7656.**

6.9. The Management informed the Team that the Finance Department had already computed the final amount of the net earnings totaling P15.806 million representing the income earned from their Investment managed by the LBP. Likewise, the Finance Department had also calculated the required 50 per cent dividends to be declared in the amount of P7.903 million. Moreover, the Finance Department will request the TPB's Corporate Board Secretary, to include in the Agenda the declaration of the dividends for the approval of the Board.

GENDER AND DEVELOPMENT

7. Provisions on Gender and Development (GAD) were still not fully implemented as: (a) utilization of GAD Budget was only 37.32 per cent; and (b) the TPB still has not conducted gender analysis in 2021 as required in Philippine Commission on Women (PCW) Memorandum Circular Nos. 2018-04 and 2020-05, thereby hindering TPB's full compliance to PCW-National Economic and Development Authority-Department of Budget and Management Joint Circular No. 2012-01.

7.1. The preparation and submission of Annual GAD Plans and Annual Accomplishment Reports are subject to the guidelines prescribed under Joint Circular No. 2012-01 (repealing Joint Circular No. 2004-01) issued by the PCW, National Economic and Development Authority (NEDA), and Department of Budget and Management (DBM), as well as other guidelines on GAD Planning and Budgeting that may be issued by appropriate oversight committees.

7.2. Pertinent provisions of the PCW-NEDA-DBM Joint Circular No. 2012-01 follow:

> *"4.0 ESSENTIAL ELEMENTS IN GAD PLANNING AND BUDGETING*
>
> *4.4 Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.*
>
> *6.0 COSTING AND ALLOCATION OF THE GAD BUDGET*
>
> *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 appropriations."*

7.3. As in the CY 2020 audit, similar issues were noted in the CY 2021 audit of the GAD funds, particularly on the fund utilization and the conduct of gender analysis.

GAD budget of P89.074 million was underutilized as only 37.32 per cent or P33.246 million was spent for GAD related programs, activities and projects (PAPs)

7.4. The TPB was not able to fully utilize the GAD Budget for 2021. Of the total GAD Budget of P89.074 million, representing five per cent of the TPB Corporate Operating Budget for CY 2021, only P33.246 million or 37.32 per cent thereof was utilized.

7.5. Per inquiry, the TPB was unable to fully utilize its GAD budget due to the difficulty in attributing its PAPs to GAD PAPs. Considering that this is a recurring observation, extra efforts have to be exerted so as to attribute part of the TPB's PAPs to GAD PAPs thereby allowing full utilization of the GAD Budget as provided in PCW-NEDA-DBM Joint Circular No. 2012-01: *"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 budgets."*

No gender analysis was conducted in CY 2021 as required by PCW Memorandum Circular Nos. 2020-05 and 2018-04

7.6. As in the previous year, the TPB still has not conducted gender analysis for its GAD Plan and Budget for CY 2021. They only have sex disaggregated data which did not apply any gender analysis tools. This is not in accordance with the requirement per PCW Memorandum Circular No. 2020-05: Preparation and Online Submission of FY 2021 GAD Plans and Budgets.

7.7. Section 1.2.1.2 of the said Memorandum Circular states that:

> *"The identification of gender issues and GAD PAPs shall also be informed by the results of gender analysis and gender audit, particularly the application of the Gender Mainstreaming Evaluation Framework (GMEF) (Please refer to PCW Memorandum Circular 2016-6)."*

7.8. Moreover, PCW Memorandum Circular No. 2018-04: Revised Guidelines for the Preparation of the GAD Agenda provides that:

> *"5.2.1. The agency, led by the GFPS, shall conduct gender analysis based on the following:*
> *5.2.1.1. Results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework (GMEF), Harmonized Gender and Development Guidelines (HGDG), Participatory Gender Audit (PGA) and other gender analysis tools;*
> *5.2.1.2. Analysis of sex-dis aggregated data and/or relevant information;*
> *5.2.1.3. Review of GAD-related mandates and policies (international and local);*
> *5.2.1.4. Review of sectoral and Gender Equality and Women's Empowerment (GEWE) plans and GAD-related indicators; and*
> *5.2.1.5. Issues and recommendations gathered from consultations with women's groups/organizations working on the sector and other concerned stakeholders."*

7.9. In spite of the training on gender analysis, which was implemented last 2020, the TPB still was unable to include the same in GAD related activities and projects.

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

a. Exert extra efforts on attributing its GAD Budget to its major programs thereby increasing utilization of the GAD budget plus increasing the gender responsiveness of its PAPs; and

b. Ensure that the gender analysis be done to aid in setting GAD goals and preparation of the GAD Planning and Budget.

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

8. The TPB is compliant with the timely remittances of contributions to the Government Service Insurance System (GSIS), Philippine Health Insurance Corporation, and Home Development Mutual Fund or 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

9. As of December 31, 2021, there were no unsettled audit charges. The details and status of the unsettled suspension and disallowance at year-end in the amount of P11.809 million and P1.641 billion, respectively, are presented in Table 7.

Table 7 – Details of Audit Suspension and Disallowance

Date	Number	Particulars	Amount	Status
Notice of Suspension (NS)				
September 5, 2020	NS No. SAGF-20-001(18)	Non-compliance with various provisions of RA No. 9184 and its IRR, and other relevant laws, rules and regulations	P11,808,775.66	There were some documents submitted. For issuance of Notice of Disallowance.
Notice of Disallowance (ND)				
August 16, 2018	ND No. 18-001-DAP/GAA/ SAGF/ ECF/ TLA – (12-15)	Non-compliance with various provisions of RA No. 9184 and its IRR, other relevant laws, rules and regulations.	P1,560,730,725.99	Pending Appeal
September 7, 2020	ND No. 19-001 (2018)	Grant of financial sponsorship in the absence of complete supporting documents	80,640,172.80	Pending Appeal
Total			**P1,641,370,898.79**	

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

Of the 20 audit recommendations embodied in the 2020 Annual Audit Report (AAR), 14 were fully implemented and six were partially implemented. Details are as follows:

Reference	Observations	Recommendations	Actions Taken/Comments
Financial			
2020 AAR Audit Observation (AO) No. 1 Page 48	The faithful representation in the financial statements of the balance of the Receivables account with carrying amount of P413.143 million as of December 31, 2020 was not established due to: (a) variances of P30.471 million and P27.008 million between the balances of the General Ledger (GL) and Subsidiary Ledgers (SLs) and the Status Report of Fund Transfers (SRFT) and SLs, respectively, of Due from National Government Agencies (NGAs) account which remained unreconciled at year end; and (b) discrepancies of P86.834 million between the balances per SLs and as confirmed by Implementing Agencies (IAs), contrary to Paragraph 27 of International Public	We recommended and Management agreed to instruct the Accounting Division to:	
		a. Reconcile the variances among the GL, SLs, SRFT and the record of the IAs and examine the liquidations reports from PDOT Offices/TAs/MRs and, if found valid, effect the necessary adjustments in the affected books, schedules and reports;	Partially Implemented Reiterated in Part II – Observation and Recommendation No. 1
		b. Record the financial transactions immediately to minimize if not totally eliminate the variances ; and	Fully Implemented
		c. Formally demand from the Project Officers the ORs issued by the IAs not submitted to the Accounting Division, and henceforth, require the concerned Project Officers to immediately turn over the ORs to substantiate the recording of the fund transfers in the books of accounts.	Partially Implemented

Reference	Observations	Recommendations	Actions Taken/Comments
	Sector Accounting Standard (IPSAS) 1 and Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.		
2020 AAR AO No. 2 Page 52	Fund transfers totaling P208.664 million remained unliquidated despite the lapse of the period of implementation of the projects indicated in the Memoranda of Agreement (MOAs), resulting in unrecognized expenses in undetermined amount for Calendar Year (CY) 2020 and prior years, thereby overstating the Receivables and Accumulated Surplus/(Deficit) accounts and understating the expense account for the current year.	We recommended and Management agreed to direct the Finance Department to:	
		a. Demand from the IAs the regular submission of the liquidation reports, consisting of Reports of Checks Issued and Report of Disbursements, etc. of the fund transfers to timely record the expenses incurred and fairly present the Due from NGAs, LGUs and GOCCs accounts in the financial statements; and	Partially Implemented Reiterated in Part II – Observation and Recommendation No. 2
		b. Henceforth, adhere to the provisions of the MMOA for future fund transfers to DOT and the guidelines on fund transfers as provided in COA Circular No. 94-013 dated December 13, 1994.	Fully Implemented
2020 AAR AO No. 3 Page 54	The faithful representation in the financial statements of the balance of Inventories account in the amount of P71.320 million was	We recommended and Management agreed to:	
		a. Direct the Accounting Division and the General Services Division (GSD) to	Partially Implemented Reiterated in Part II

Reference	Observations	Recommendations	Actions Taken/Comments
	not established due to: (a) unreconciled variance of P15.680 million between the Annual Inventory of Promotional Materials and Giveaways of P52.186 million and the GL of the Other Supplies and Materials Inventory account of P67.866 million and no alternative audit procedure could be made to verify the causes of the variance in the absence of Supplies Ledger Cards (SLCs) and Stock Cards (SCs); and (b) non-submission of supporting documents on the two adjustments totaling P24.627 million, contrary to Paragraph 27 of IPSAS 1, Item 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Section 17, Chapter 8 of the Government Accounting Manual (GAM), Volume I.	reconcile the discrepancies of P15.680 million between the result of Physical Count and the GL balance of Other Supplies and Materials Inventory account.	– Observation and Recommendation No. 3
		b. Direct the Accounting Division to:	
		b.1 Maintain SLC for each kind or type inventory and regularly reconcile the same with the SC maintained by the GSD.	Partially Implemented
		b.2 Submit the supporting documents of the adjustments amounting to P24.627 million.	Fully Implemented
		c. Direct the GSD to maintain SCs and reconcile the same with the records of the Accounting Division.	Fully Implemented
2020 AAR AO No. 4 Page 57	The faithful representation in the financial statements of the balances of the Financial Liabilities	We recommended and Management agreed to: a. Direct the Accounting Division to:	

Reference	Observations	Recommendations	Actions Taken/Comments
	and Other Payables accounts in the amounts of P242.065 million and P6.679 million, respectively, as of December 31, 2020 could not be established due to: (a) absence of delivery receipts, certificate of acceptance, and other related documents to ascertain that the goods/services were already delivered/rendered/completed and accepted to support the booking of the Accounts Payable (AP) of P198.289 million; (b) discrepancies totaling P1.746 million between the balances per GL and as confirmed by suppliers which remained unreconciled at year-end; and (c) unsubstantiated bank reconciling items totaling P4.997 million recorded under Other Payables account, contrary to Paragraph 27 of IPSAS 1 and Item 3.26 of the Conceptual Framework on the General Purpose Financial Reporting by Public Sector Entities.	a.1 Ensure that the goods/services/ projects have been delivered/ rendered/ completed and accepted before recording the same under AP account and make necessary adjustments in the books for the booked up AP in the amount of P198.289 million;	Fully Implemented
		a.2 Reconcile the variance totaling P1.746 million between the amount confirmed by suppliers/ creditors and Accounting records; and	Fully Implemented
		a.3 Make representation with the concerned depository bank for the details of the bank credit memos and make the necessary adjusting entries to correct the affected accounts.	Fully Implemented
		b. Direct the Budget and Accounting Divisions to regularly reconcile their records and ensure that only those items that meet the definition of AP or Due and Demandable	Fully Implemented

Reference	Observations	Recommendations	Actions Taken/Comments
		obligations are included in BFAR Form No. 3 and recorded in the books.	
2020 AAR AO No. 5 Page 60	Interest income from trust accounts invested with LBP in the amount of P3.844 million was not recognized in the books at year end resulting in the understatement of the Investments and Interest Income accounts.	We recommended and Management agreed to direct the Accounting Division to recognize in the books the investment earnings in CY 2020 in the amount of P3.844 million and, henceforth, regularly monitor the movements of the Tourism Promotions Trust maintained with the LBP and recognize the interest income therefrom.	Fully Implemented
<u>Non-Financial</u>			
2020 AAR AO No. 6 Page 62	Funds received from various Source Agencies (SAs) totaling P216.724 million remained outstanding/ unliquidated for more than one year, contrary to Items 4.6, 6.4, 6.5 and 6.7 of COA Circular No. 94-013 dated December 13, 1994.	We recommended and Management agreed to direct the Accounting Division to locate all the MOAs, RCIs and RDs to facilitate the liquidation or return of the excess funds to the concerned SAs.	Partially Implemented Reiterated in Part II – Observation and Recommendation No. 4
2020 AAR AO No. 7 Page 63	There was overstocking of promotional materials totaling P52.186 million in CY 2020, an increase of P15.399 million or 29.51 per cent from CY 2019, as these inventories could not be disposed of and it could not be justified how	We recommended and Management agreed to:	
		a. Refrain from procuring promotional materials and giveaways until the undistributed/unutilized items have been distributed to intended recipients;	Fully Implemented
		b. Exercise prudence in the procurement of	Fully Implemented

Reference	Observations	Recommendations	Actions Taken/Comments
	these materials would be distributed within the three-month period, contrary to Section 25, General Provisions of the Fiscal Year (FY) 2020 General Appropriations Act (GAA) and COA Circular No. 85-55-A, as updated in COA Circular No. 2012-003, and exposes the items to deterioration, damage and obsolescence.	promotional materials and giveaways to avoid overstocking and wastage of government funds; and	
		c. Henceforth, comply strictly with Section 25 of the General Provisions of the GAA, COA Circular Nos. 88-55-A and 2012-003, to avoid disallowance in audit.	Fully Implemented
2020 AAR AO No. 8 Page 65	The GAD budget of P58.070 million was underutilized as 50.39 per cent or P29.845 million only was spent for GAD related programs, projects and activities (PPAs). Likewise, the TPB has not conducted gender analysis in CY 2020, contrary to PCW Memorandum Circular Nos. 2018-04 and 2019-02.	We recommended and Management agreed to direct the GAD Focal Point System to:	
		a. maximize the utilization of the GAD funds to fully address the gender issues of the Agency; and	Fully Implemented
		b. conduct gender analysis to aid in setting of GAD goals and preparation of the GPB.	Fully Implemented

List of Abnormal Balances

Due to Officers and Employees

Particulars	Amount
DEL MUNDO, SUSANA	(280,811.52)
ESTEBAN, ALLAN	(818.28)
INFOBAHN COMMUNICATIONS, INC.	(787,166.38)
Miranda, Karem	(0.01)
PULIDO, CONSUELO	(20,212.81)
SORIANO, SOLITA	(2,499.89)
SUDARIO, MA. BIHILDIS	(28,639.91)
ZARATE, EMMANUEL	(474.90)
Sub-total	**(1,120,623.70)**

Guaranty/ Security Deposits Payable

Particulars	Amount
AIRPHOTO	(2,065.00)
CREDIT PILIPINAS	(2,025.84)
EUROMONITOR INT'L	(147,253.93)
FOR ADJUSTMENT	(20,655.00)
HONDA CARS	(80,000.00)
MINTEL C/O RHOEL RECHETA	(63,917.96)
ORIENT INTEGRATED CONSULTANT	(1,495,400.60)
S1 TECHNOLOGIES	(130,188.21)
SILANG COMMUNICATIONS	(125,000.00)
Sub-total	**(2,066,506.54)**

Other Payables

Particulars	Amount
8 TIMES 8 GENERAL MERCHANDISE	(599.19)
BALMACEDA, JOSE	(53,400.00)
BELLE SOUTH PACIFIC	(12,528.00)
Enderun Colleges, Inc.	(50,000.00)
HDMF (CONTRIBUTION)	(64,304.84)
HDMF (MULTI-PURPOSE LOAN)	(374,565.48)
Home Development Mutual Fund	(16,060.47)
Insular Life Assurance Company	(53,664.00)
INSULAR LIFE LOAN	(14,400.00)
INSULAR LIFE PREMIUM	(37,220.50)
Janet G. Villafranca	(5,255.00)
JJA TRAVEL & TOURS	(10,000.00)
LANDBANK OF THE PHILIPPINES (Mobile Salary Loan)	(1,989,461.91)
MCN GLOBAL HOLDING CORPORATION	(316,146.00)
MOBILE SALARY LOAN	(1,222,642.12)
Phil. Health Insurance Corporation	(13.75)
Purple Bug Inc.	(5,000.00)
TRANSGLOBAL TRAVEL AND TOURS	(9,393.93)
TRAVEL VILLAGE INC.	(1,050.00)
Sub-total	**(4,235,705.19)**

Grand Total	**(7,422,835.43)**