

EXECUTIVE SUMMARY

A. 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, known as the Tourism Act of 2009.

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

The TPB is attached to the DOT per 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 Controlled Corporations (GCG) has approved a new Organization Structure and Staffing Pattern (OSSP) for TPB effective June 30, 2014. Accordingly, all positions under the old OSSP of TPB were deemed abolished.

As of December 31, 2016, TPB has a total personnel complement of 145 composed of 82 regular employees and 63 job order personnel.

TPB is governed by a Board of Directors composed of a Chairman, Vice Chairman, and eight members. Its management is headed by a Chief Operating Officer.

B. Scope of Audit

The audit covered the examination, on a test basis of the accounts, transactions and operations of TPB for calendar year (CY) 2017 in accordance with Philippine Public Sector Standards on Auditing (PPSSA). It was also aimed at expressing an opinion on the fairness of presentation of TPB's financial position, results of operations and cash flows in accordance with PPSSA and at determining TPB's compliance with laws, rules and regulations.

C. Financial Profile

The Financial Position and the Results of Operation of the TPB for the year ended December 31, 2017, are presented on the next page:

I. Comparative Financial Position

	2017		2016		Increase (Decrease)
Assets	P	1,364,735,140	P	1,715,933,175	P (351,198,035)
Liabilities		697,797,029		1,256,341,881	(558,544,852)
Net Assets/Equity	P	666,938,111	P	459,591,294	P (207,346,817)

II. Results of Operations

	2017		2016 Restated		Increase (Decrease)
Income	P	54,256,037	P	32,451,395	P 21,804,642
Expenses		979,517,447		931,619,580	(47,897,867)
Income (Loss) before Other Income		(925,261,410)		(899,168,185)	(26,093,225)
Non Operating Income		3,568,822		17,009,079	(13,440,257)
Gain on Foreign Exchange		1,890,753		4,136,255	(2,245,502)
Operating Income (Loss)	P	(919,801,835)	P	(878,022,851)	P (41,778,984)

III. Budget and Actual Expenditures

	Corporate Operating Budget (in PhP)				Actual (in PhP)	
	2017		2016		2017	2016
Personal Services	P	62,878,000	P	101,479,000	P	57,943,732
Maintenance and Operating Expenses		1,737,758,000		1,793,505,000		913,452,933
Capital Expenditures		16,864,000		16,568,000		1,007,798
Total	P	1,817,500,000	P	1,911,552,000	P	972,404,463
						P 928,270,381

D. Independent Auditor's Report on the Financial Statements

We expressed a qualified opinion on the fairness of presentation of the financial statements of TPB as of December 31, 2017, in view of the following:

1. The reliability and accuracy of the reported balance of the account Due from National Government Agencies amounting to P441.243 million could not be ascertained due to a) discrepancy of P54.965 million between general (GL) and subsidiary (SL) ledgers; b) doubtful balances of P90.855 million based on implementing officers' confirmation; c) existence of negative balances of P44.715 million; d) advances to officers and employees amounting to P5.197 million was erroneously recorded in the account; e) erroneous posting amounting to P5.197 million; and f) unsubmitted disbursement vouchers totaling P77.959 million, contrary to the provisions of Section 4.6 of PD 1445.

2. The reliability and accuracy of the reported balance of Accounts Payable (AP) of P444.205 million could not be established due to: a) inclusion of negative/abnormal balances of P184.675 million; b) non-submission of supporting documents for contracts amounting to P41.282 million; and c) erroneous accrual expense of approximately P23.846 million.

For the above observations, which caused the issuance of a qualified opinion, we recommended to Management the following:

1. Reconcile the balances of the GL and SL; coordinate with the Regional and Foreign Offices for the reconciliation; review/analyze entries made which resulted in the abnormal/negative balances of the account and prepare the necessary adjusting entries if warranted. Also, prepare the adjusting entry by debiting Advances to Officers and Employees and crediting Due from NGAs.
2. Identify the causes of the abnormal balance of the account, b) submit supporting documents of the contracts totaling P41.282 million and c) examine the accruals and effect necessary adjustments.

E. Significant Audit Observations and Recommendations

In addition to the audit observations which we considered in the rendition of our qualified opinion, below are other significant audit observations and recommendations, which are discussed in detail in Part II of the Report.

1. The total accumulated amount of P325.190 million representing the 70 per cent share of TPB from the 50 per cent net income of the Duty Free Philippines Corporation (DFPC) for CYs 2011-2016 was not received from the Department of Tourism (DOT) as required in Section 51(b) of the Implementing Rules and Regulations (IRR) of RA No. 9593. TPB failed to record as receivables from NGA and corresponding retained earnings of the unremitted amount of P325.190 million.

Recommendations:

- a. *Request the DOT to remit the total amount of P325.190 representing the under remittance of the 70 per cent share of TPB from the 50 per cent share of DOT on the net revenues of DFPC; and*
 - b. *Request the DFPC to comply Section 51 (b) of the IRR RA 9593 that the 70 percent share be directly remitted to TPB to avoid under remittance of its share.*
2. For the CY 2017, TPB did not set aside ten per cent of the allocations for promotions and marketing as a Special Contingency Fund (SCF) as required under Section 56 of Republic Act (RA) 9593 "Tourism Act". Likewise, a total amount of P91.056 million was transferred from SCF to Corporate Fund without the necessary Board Resolution as required under Section 40 of the said act.

Recommendation:

Comply with Section 56 of RA 9593 (Tourism Act of 2009) and Section 40 of its IRR.

3. Various expenses totaling P27.928 million incurred for projects executed in CY 2017 were charged to 2016 Budget (savings) contrary to Section 7.1 and 7.2 of RA 9184. These were not included in the 2017 Annual Procurement Plan (APP) and Project Procurement Management Plan (PPMP).

Recommendation

Strictly comply Sections 7.1 and 7.2 of RA 9184. Henceforth, expenditures not covered by an approved appropriation should be subjected to inclusion in the supplemental budget.

4. TPB did not timely post the invitation or request for submission of price quotations/proposals for the entertainers/bands for 2nd Phase of Intramuros Revival Project and consulting services as required under Section 54.2 and 54.3 of RA 9184 Procurement Act, thus, transparency and equal opportunity to parties who are eligible and qualified to participate in competitive bidding was not attained.

Recommendation:

Strictly comply with the provisions of RA 9184 on the posting of information required under Section 54.2 and 54.3 of RA 9184, Procurement Act and always practice transparency in procuring the needs of the agency.

5. The COO did not approve the Bids and Awards Committee Resolution No. 2017-044 recommending to award the contract for procurement of services to the highest rated and responsive bidder without stating the reasons. Instead he entered into a negotiated contract with the losing bidder as representative of the entertainers for the Second Phase of the Intramuros Revival Project contrary to Section 41 of RA 9184. Moreover, the entertainers hired by TPB were not PhilGEPS registered contrary to Section 8.5.1 and Section IV (G) Annex H of RA 9184.

Recommendation:

Strictly adhere with the provisions of RA 9184 to avoid Offenses and Penalties stated in Section 65 of RA 9184 and ensure suppliers, distributors, contractors, and/or consultants are PhilGEPS registrants in compliance with RA 9184.

F. Summary of Unsettled Audit Suspensions, Charges and Disallowances

The total unsettled audit disallowances as of December 31, 2017, amounted to P350,858.75.

G. Status of Implementation of Prior Year's Audit Recommendations

Of the 31 prior year's recommendations embodied in last year's Annual Audit Report, 11 were fully implemented, 12 were partially implemented and eight were not implemented. Details are presented in Part III of the Report.