

## EXECUTIVE SUMMARY

### A. Introduction

The Central Board of Assessment Appeals (CBAA) was created pursuant to Section 230 of the Local Government Code. Its mandate is to observe the due-process-of-law clause in the assessment and collection of real property taxes by the government, and to ensure that taxpayers are given the opportunity to be heard.

Republic Act (RA) No. 7160 or the Local Government Code of 1991 provided for its powers and functions, among others are the power to decide on all real property tax assessment cases, claim for refunds of erroneous payments which are under protests, and claim for tax credits for excessive payments of real property taxes and interests. All decisions of the CBAA are appealable to the Court of Tax Appeals (CTA) by Petition for Review (per RA No. 9282 and Rule 8, Section 4(c) CTA Rules). Petitions for Review on Certiorari under Rule 65 of the Rules of Court may be filed before the Supreme Court (SC) of the Philippines.

The CBAA is headed by Chairperson Manuel D.J. Siayngco and two Commissioners. Atty. Thelma A. Mariano seated, and Atty. Roberto D. Geotina occupied the other seat until 22 August 2017. It has 23 authorized positions, 22 of which are filled-up, while one item is vacant as of 31 December 2017.

### B. Financial Highlights

The financial position, financial performance and the sources and application of funds of the CBAA for the Calendar Year (CY) 2017 with corresponding figures for CY 2016 are summarized as follows:

Particulars	2017	2016	Increase/ (Decrease)
<b>Financial Position</b>			
Assets	₱ 4,906,161.76	₱ 3,705,852.01	₱1,200,309.75
Liabilities	1,313,202.38	868,476.84	444,725.54
Net Assets/Equity	3,592,959.38	2,837,375.17	755,584.21
<b>Financial Performance</b>			
Net Financial Subsidy	19,515,812.82	15,822,779.45	3,693,033.37
Other Non-Operating Income	85,194.09	33,439.74	51,754.35
Expenses	18,777,855.47	15,655,186.12	3,122,669.35
Surplus (Deficit)	823,151.44	201,033.07	622,118.37

For CY 2017, the Agency has a total appropriation of ₱20.791 million under RA No. 10924. The Agency received total allotments of ₱20.691 million, of which total obligations incurred amounted to ₱19.871 million, thereby, leaving a balance of ₱820,610.43, details as follows:

<b>Sources of Funds</b>	<b>Allotments</b>	<b>Obligations Incurred</b>	<b>Unobligated Balance</b>
Regular Appropriation	₱ 20,680,427.00	₱ 19,859,816.57	₱ 820,610.43
Continuing Appropriation	10,847.00	10,847.00	-
<b>Total</b>	<b>₱ 20,691,274.00</b>	<b>₱ 19,870,663.57</b>	<b>₱ 820,610.43</b>

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances as at 31 December 2017 is shown in Annex B.

### **C. Operational Highlights**

As reported by the Management, the following are the highlights of CBAA's accomplishments for CY 2017 which were validated on a test basis by the Audit Team:

- a) Issued six decisions and acted on two motions for reconsideration;
- b) Elevated two cases to the CTA and 17 cases to the SC of the Philippines; and
- c) Total market and assessed value involved in appealed cases amounted to ₱84.854 billion and ₱45.305 billion, respectively, while the total amount of real property taxes involved in appealed cases including penalties amounted to ₱2.141 billion.

### **D. Scope of Audit**

The audit covered the financial and compliance audits of the accounts of the CBAA for the year ended 31 December 2017. The audit was conducted to: (a) verify the level of assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency's improvement opportunities; (c) determine the propriety of transactions, as well as the extent of compliance with pertinent laws, rules and regulations; and (d) determine the extent of implementation of prior year's audit recommendations.

## **E. Independent Auditor's Report on the Financial Statements**

The Auditor rendered an unqualified opinion on the fairness of presentation of the CBAA's financial statements (FS) since the accounting errors and deficiencies noted did not materially affect the fair presentation of the FS, as summarized in the *Analysis of the Effect of Misstatements on the FS (Annex A)*.

## **F. Summary of Significant Audit Observations and Recommendations**

Among the audit observations and corresponding recommendations discussed in Part II of this report, the significant observations are summarized as follows:

1. The issuance of inventories and Property, Plant and Equipment (PPE) to end-users were without Inventory Custodian Slips (ICS) and Property Acknowledgement Receipts (PARs), respectively. Further, the PARs were without controlling number (CN) and Property Cards (PCs) were not in the prescribed GAM format.

**We recommended and Management agreed to require the Property Officer to:**

- a) **Prepare ICS for semi-expendable items, and PAR for all PPE, once an item is issued/transferred, and accomplish properly each PAR by reflecting the CN, and maintain a record to monitor the PARs and CNs issued; and**
  - b) **Maintain PCs in the prescribed form with complete information for each PPE to facilitate tracking of PPE.**
2. The Purchase Orders (POs), Job Orders (JOs), and Contracts, including supporting documents, were not submitted to the Auditor within the prescribed period of five working days, thus, precluded the timely auditorial review and evaluation of the contract.

**We recommended and Management agreed to require the Procurement Officer to ensure strict compliance with the guidelines on the submission of POs, JOs and Contracts, and enforce sanction against erring personnel, if warranted.**

The aforementioned observations and recommendations were discussed with the concerned Management officials in an exit conference conducted on 12 March 2018. Management's views and comments were also incorporated in the report, where appropriate.

### G. Status of Settlement of Audit Suspensions, Disallowances and Charges

There was no suspension, disallowance and charge issued in CY 2017 while prior year's disallowance of ₱1.995 million is decreased by ₱24,000.00 through payment as of 31 December 2017. Details as follows:

Particulars	Balances, 31 December 2016	This Period		Balances, 31 December 2017
		1 January to NS/ND/NC	31 December 2017 NSSDC	
NS	₱ -	₱ -	₱ -	₱ -
ND	1,995,002.51	-	24,000.00	1,971,002.51
NC	-	-	-	-
<b>Total</b>	<b>₱ 1,995,002.51</b>	<b>₱ --</b>	<b>₱ 24,000.00</b>	<b>₱ 1,971,002.51</b>

### H. Status of Implementation of Prior Years' Audit Recommendations

Out of the seven audit recommendations embodied in the prior years' Annual Audit Report, five were fully implemented while two were partially implemented. The details are presented in Part III of this report.

**We enjoin Management to ensure full implementation of all audit recommendations to improve the financial and operational efficiency of the agency.**