

## EXECUTIVE SUMMARY

### A. Introduction

The National Tax Research Center (NTRC) is mandated to conduct continuing research in taxation, to restructure the tax system and raise the level of tax consciousness among our people to achieve a faster rate of economic growth and to bring about a more equitable distribution of wealth and income.

The NTRC is headed by Executive Director Trinidad A. Rodriguez and Deputy Director Teresita L. Solomon. The position of one Deputy Director is vacant as of 31 December 2017. It has 152 plantilla positions, 85 of which are filled-up while 67 are vacant as of 31 December 2017 distributed to these branches, as follows:

Office of the Executive Director	15
Fiscal Incentive Branch	6
Direct Taxes Branch	6
Indirect Taxes Branch	6
Special Research and Technical Services Branch	8
Local Finance Branch	6
Economics Branch	4
Tax Statistic Branch	7
Administrative and Financial Branch	<u>27</u>
<b>Total</b>	<b><u>85</u></b>

Moreover, there is no contractual nor temporary employee in the agency.

### B. Financial Highlights

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

Particulars	2017	2016 (as restated)	Increase/ (Decrease)
<b>Financial Position</b>			
Assets	₱ 6,287,788.69	₱ 9,145,221.93	₱ (2,857,433.24)
Liabilities	8,711.16	23,281.28	(14,570.12)
Net Assets/Equity	6,279,077.53	9,121,940.25	(2,842,862.72)
<b>Financial Performance</b>			
Revenue	₱ 2,554.48	₱ 200.00	₱ 2,354.48
Net Financial Subsidy	58,160,421.31	58,344,549.90	(184,128.59)
Expenses	59,648,562.29	54,153,980.59	5,494,581.70
Surplus	(1,485,586.50)	4,190,769.31	(5,676,355.81)

For CY 2017, the Agency has a total appropriation of ₱58.195 million under RA No. 10924. The Agency received total allotments of ₱58.460 million, of which total obligations incurred amounted to ₱58.121 million, thereby, leaving a balance of ₱339,040.80.

<b>Sources of Funds</b>	<b>Allotments</b>	<b>Obligations Incurred</b>	<b>Unobligated Balance</b>
Regular Appropriation	₱ 58,321,815.00	₱ 58,008,803.91	₱ 313,011.09
Continuing Appropriation	137,878.91	111,849.20	26,029.71
<b>Total</b>	<b>₱ 58,459,693.91</b>	<b>₱ 58,120,653.11</b>	<b>₱ 339,040.80</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 Management, the following are the highlights of NTRC's accomplishments for CY 2017, which were validated on a test basis by the audit team:

<b>Performance Indicator</b>	<b>Performance Targets</b>	<b>Actual Accomplishments</b>	<b>Percentage of Accomplishments</b>
Major Final Outputs/Operations – Technical Advisory Services			
PI 1: Number of:			
Studies	37	41	111%
Tax Assessments/ Tax Proposals	16	18	113%
Evaluations/ Comments on bills/proposals	45	104	231%
PI.2: Number of publications completed and complied rulings, laws and other issuances on taxation	11	12	109%
PI.3: Number of administrative and operational support; attended meetings, public hearings, workshops, either as secretariat or member of the inter-agency task forces, working groups and special projects on statistics or revenue estimates, replied to inquiries submitted, and rendered other technical assistance to Congress - Senate and House Bills	840	2,598	309%

## **D. Scope of Audit**

The audit covered the financial and compliance audits of the accounts of the NTRC 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 NTRC's financial statements.

## **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 accuracy of the balances of the *Due from NGAs* (PS-DBM) and the *Property, Plant and Equipment* accounts, cannot be fully ascertained due to unreconciled discrepancy and lack of subsidiary records, respectively.

**We recommended and Management agreed to instruct the Accountant to:**

- a) **coordinate with the concerned accounting officials of the PS-DBM for the reconciliation of the account's balance; and**
  - b) **maintain PPELCs for each PPE accounts for check and balance with the property records.**
2. Financial reports, statements, and supporting documents were not promptly submitted to the Auditor within the period prescribed by existing regulations, thus, affected the timely conduct of audit.

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

- a) **Accountant to ensure strict compliance with the guidelines on submission of reports and other financial reports within the set deadlines; and**
- b) **Inventory Committee to ensure that Report on the Physical Count of Property, Plant and Equipment is submitted not later than 31 January of the succeeding year.**

3. The NTRC still maintained an account with the Land Bank of the Philippines, contrary to EO 338, s. 1996, as implemented by COA-DBM-DOF Joint Circular No. 1-97.

**We recommended that Management close the subject bank account and remit the cash balance to the Bureau of the Treasury (BTr) pending the finalization of guidelines of the BTr, which will govern the implementation of these “pass thru” accounts.**

The aforementioned observations and recommendations were discussed with the concerned Management officials in an exit conference conducted on 27 March 2018. Management’s views and comments were also incorporated in the report, where appropriate.

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

The Audit Team issued Notice of Suspension which matured into Notice of Disallowance (ND) amounting to ₱1,187,500.00 for CY 2017. The agency’s officials and personnel settled the said Notice of Disallowance amounting to ₱1,187,500.00 before the year ended. The remaining audit disallowance amounting to ₱106,750.00 were still unsettled as of date, 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	106,750.00	1,187,500.00	1,187,500.00	106,750.00
NC	-	-	-	-
<b>Total</b>	<b>₱ 106,750.00</b>	<b>₱1,187,500.00</b>	<b>₱1,187,500.00</b>	<b>₱ 106,750.00</b>

#### **H. Status of Implementation of Prior Year’s Audit Recommendations**

All of the two audit recommendations embodied in the CY 2016 Annual Audit Report were fully implemented. The details are presented in Part III of this Report.