

EXECUTIVE SUMMARY

A. Introduction

The National Tax Research Center (NTRC) is mandated to conduct continuing research in taxation, 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 December 31, 2018. It has 152 plantilla positions of which, 87 are filled-up while the remaining 65 are vacant. There is no contractual or temporary employee in the agency.

B. Financial Highlights

The financial position, and financial performance of the NTRC for Calendar Year (CY) 2018 with corresponding figures for CY 2017 are summarized as follows:

Particulars	2018	2017 (As restated)	Increase/ (Decrease)
Financial Position			
Assets	₱ 5,906,125.17	₱ 6,246,975.87	(₱ 340,850.70)
Liabilities	2,916.16	50,798.03	47,881.87
Net Assets/Equity	5,903,209.01	6,196,177.84	(292,968.83)
Financial Performance			
Revenue	5,620.21	2,554.48	3,065.73
Net Financial Subsidy	66,422,436.19	58,160,421.31	8,262,014.88
Expenses			
Personel Services (PS)	53,395,125.55	47,019,406.01	6,375,719.54
Maintenance and other Operating Expenses	11,806,288.81	11,569,207.89	237,080.92
Non-Cash expenses	1,119,598.55	1,142,848.08	(23,249.53)
Surplus/(Deficit)	107,043.49	(1,568,486.519)	1,675,529.68

Per FY 2018 GAA, the total adjusted appropriations amounting ₱66.516 million includes releases from Automatic Appropriations of ₱3.837 million, Miscellaneous Personnel Benefit Fund of P3.400 million and Pension and Gratuity Fund of P1.847 million. The allotments received totaled ₱66.670 million while obligations incurred amounted to ₱66.640 million, details of which is shown in *Annex A - Statement of Appropriations, Allotments, Obligations, Disbursements and Balances* as at December 31, 2018.

C. Operational Highlights

The highlights of NTRC's accomplishments for CY 2018 which were validated by the audit team on a test basis are shown on the next page.

Performance Indicator	Targets	Accomplishments	
		Actual	Percentage
A. Operations – Technical Advisory Services National Tax Advisory Program			
<i>Outcome Indicators</i>			
1. Percentage/Number of National Government Agencies monitored (M) and rendered technical assistance (TA) in fee revision within the prescribed time frame (Depends on the number of requests in fee revision from NGAs)	M-37 TA-15	86 69	232.43% 460%
2. Percentage of tax research recommendations considered in tax policy reforms	90%	90%	100%
<i>Output Indicators</i>			
1) Number of tax research studies conducted	37	40	108.11%
2) Percentage of tax related legislative bills evaluated/commented within prescribed timeframe	12	14	116.67%
3) Percentage/Number of GOCCs' tax subsidy request evaluated and processed within the prescribed timeframe	5	6	120%
B. Budget Utilization			
1) Obligation BUR	100%	99.96%	
2) Disbursement BUR	100%	99.60%	

D. Scope of Audit

The audit covered the financial accounts and operations of the NTRC for the year ended December 31, 2018. 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

The audit observations with corresponding recommendations are discussed in detail in Part II of this report, the more significant of which pertained to delayed submission of financial reports, other reports and supporting documents which deprived the agency the benefit of prompt review and timely presentation of financial information to stakeholders.

We recommended and Management agreed to:

- a) **Require the Accountant and the officials concerned to submit to COA the required financial and other reports, including supporting documents within the prescribed period;**
- b) **Implement adequate measures that will enable them to meet the deadlines, such as inclusion in their performance and commitment reports of their assigned tasks; and**
- c) **Initiate appropriate administrative action against the officials concerned for continuous/persistent failure to comply with the prescribed rules and regulation, if warranted.**

The aforementioned observations and recommendations were discussed with the concerned Management officials in an exit conference conducted on March 6, 2019. Management's views and comments were incorporated in the report, where appropriate.

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

The status of settlement of audit suspension, disallowances and charges is as follows:

Particulars	January 1, 2018 Balance	January 1 to 31, December 2018		December 31, 2018 Balance
		NS/ND/NC Issued	Settlement NSSDC	
NS	₱ -	₱ -	₱ -	₱ -
ND	106,750.00	-	-	106,750.00
NC	-	-	-	-
Total	₱106,750.00	₱ -	₱ -	₱106,750.00

The disallowance of ₱106,750.00 recorded under *Receivables - Disallowances/Charges* account was not acted upon by Management to facilitate the full settlement, hence, outstanding for 21 years in the books as of December 31, 2018.

We recommended and Management agreed to exhaust all possible means to enforce immediate settlement of the NDs from the persons liable.

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

Of the eight audit recommendations embodied in the CY 2017 Annual Audit Report, four were fully implemented and four 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.