

## EXECUTIVE SUMMARY

### I. Introduction

The Court of Tax Appeals (CTA) was created on June 16, 1954 by virtue of Republic Act No. 1125 with exclusive appellate jurisdiction to review by appeal, decisions of the Collector of Internal Revenue, Commissioner of Customs, and the Provincial or City Boards of Assessment Appeals.

With the passage of Republic Act No. 9282 on April 23, 2004, the CTA became an appellate Court equal in rank to the Court of Appeals with an expanded jurisdiction not only on civil tax cases but also on cases that are criminal in nature, as well as, local tax cases, property taxes, and final collection of taxes.

The CTA envisions to remain worthy of public trust and confidence by maintaining its impartiality, competence, transparency, and faithful compliance with tax laws as guided by the following principles:

1. Fair and speedy collection of taxes by the Government;
2. Adequate judicial remedies to taxpayers against unreasonable or unjust tax assessments and refund of excessive or erroneously collected taxes;
3. Proper interpretation of tax statutes;
4. Adherence to the independence of the Judiciary; and
5. Utmost deference for public trust and confidence in the Judiciary.

With the passage of Republic Act No. 9503 on July 5, 2008, the organizational structure of the CTA was expanded to include one Presiding Justice as Head of the Court, assisted by eight Associate Justices. The CTA may sit *en banc* or in three divisions with each division consisting of three Justices. The CTA, as one of the Courts comprising the Philippine Judiciary, is under the administrative supervision of the Supreme Court. The Court is headed by Presiding Justice Roman G. Del Rosario.

The personnel complement of 295 assists in the performance of adjudicative support functions with some non-adjudicative or administrative functions among the Office of the Clerk of Court (OCC), Judicial Records Division, Management Information Systems Division, Internal Audit Service, Office of the Legal and Technical Services, Tax Specialist Division, Library, and the Office of Administrative and Finance Services.

## II. Financial Highlights

The Calendar Year (CY) 2019 financial condition and the sources and application of funds of the CTA, with corresponding figures for CY 2018 are as follows:

Particulars	2019	2018 As Restated	Increase (Decrease)
<i>(In Philippine Peso)</i>			
<b>Financial Condition</b>			
Assets	1,040,451,145.89	1,064,947,004.05	(24,495,858.16)
Liabilities	129,122,804.28	144,456,903.49	(15,334,099.21)
Net Assets/ Equity	911,328,341.61	920,490,100.56	(9,161,758.95)
<b>Sources and Application of Funds</b>			
Allotments Received	521,832,392.17	682,384,398.74	(160,552,006.57)
Obligations Incurred	449,098,663.89	598,106,648.57	(149,007,984.68)
Balances	72,733,728.28	84,277,750.17	(11,544,021.89)

The details of allotments, obligations and balances are presented in *Annex A* of this report.

## III. Scope of Audit

The audit covered the accounts and operations of the CTA for CY 2019. 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.

## IV. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the Court of Tax Appeals for CY 2019.

## V. Significant Audit Observations and Recommendations

The following are the significant audit observations and recommendations, the details of which are discussed in Part II of this report:

1. Expenses totaling ₱2.829 million incurred in CY 2018 were improperly charged against CY 2019 funds, contrary to the accrual basis of accounting and recognition of liability as provided under Section 2(a), Chapter 2 and 6 of Government Accounting Manual (GAM) for NGAs, Volume 1 and Section 119 of Presidential Decree (PD) 1445, thereby not reflecting accurately the expenses and payable accounts in the respective years. (*Paragraph No. 1*)

We recommended and Management agreed to require the Chief Accountant to:

- a. Strictly adhere to the accrual basis of accounting by recognizing all transactions and events as they occur and to report the same in the financial statements in the period to which they relate; and
  - b. Properly present the adjusted balances of each affected component of net assets/equity by restating the corresponding prior year balances of the affected accounts shown as corresponding figures for the current year (CY 2019) FS, in compliance with the requirements of PPSASs.
2. Unserviceable properties with a carrying amount totaling ₱273,708.14 were still carried in the books under the Property, Plant and Equipment (PPE) account and included in the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2019 in view of their non-disposal, contrary to Section 79 of PD No. 1445 and Executive Order (EO) No. 309, series of 1996, which overstated the PPE account by the same amount, and may result in the assets' deterioration, incurrence of additional storage, and loss of possible income from sale thereof. (*Paragraph No. 10*)

We recommended and Management agreed to direct the:

Property Officer:

- a. Institute measures to properly dispose the unserviceable properties and submit the original IIRUP to the Accounting Division; and

Accountant:

- b. Prepare Journal Entry Voucher to drop from the books the respective carrying amounts of the unserviceable properties after the disposal,

with proper documentations such as the IIRUP, photos, and Official Receipt for the sale.

3. Discontinued submission of the Monthly Report on Fuel Consumption for CY 2019 from June to December 2019 precluded the timely validation and evaluation of official travels of officials and employees with issued official vehicles, as well as reasonableness of their fuel consumption, contrary to the provisions of Item 4 of the Specific Guidelines in the Manual on Audit for Fuel Consumption. (*Paragraph No. 19*)

We recommended and Management agreed to require the Chief Judicial Staff Officer of the Property and Supply Division to prepare and submit the Monthly Report of Fuel Consumption for the months of June to December 2019, and commit to submit the same regularly for CY 2020, pursuant to the Specific Guidelines in the Manual on Audit for Fuel Consumption of Government Motor Vehicles, prescribed under COA Circular No. 77-61 dated September 26, 1977.

The above observations and recommendations were discussed with the concerned officials of the agency in an exit conference held on September 28, 2020. Management comments were considered in the report, where appropriate.

## **VI. Status of Implementation of Prior Year's Audit Recommendations**

All of the five audit recommendations embodied in the CY 2018 Annual Audit Report were implemented.