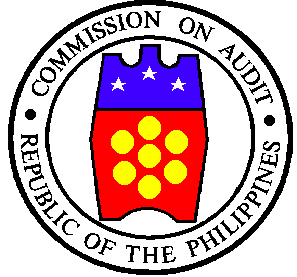
****REPUBLIC OF THE PHILIPPINES

**COMMISSION ON AUDIT**

Commonwealth Avenue, Quezon City, Philippines

**INDEPENDENT AUDITOR’S REPORT**

**THE BOARD OF DIRECTORS**

National Tobacco Administration

Scout Reyes corner Panay Avenue

Quezon City

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the National Tobacco Administration (NTA), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2019, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of NTA as at December 31, 2019 and 2018, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSAS).

**Basis for Qualified Opinion**

The provision for impairment losses was inadequate, contrary to Paragraphs 67 and 68 of PPSAS 29 and NTA’s policy on the measurement and revaluation of Receivables, as such, Allowance for Impairment Losses was understated by P99.662 million while Accumulated Surplus was overstated for the same amount as at December 31, 2019.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.* We are independent of the NTA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the NTA’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate NTA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NTA’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NTA’s internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
* Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NTA’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the NTA to cease to continue as a going concern.
* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Supplementary Information Required Under Bureau of Internal Revenue*** ***(BIR) Revenue Regulations 15-2010***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2019 required by the BIR as disclosed in Note 30 to financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with the PPSAS. Such supplementary information is the responsibility of management.

**COMMISSION ON AUDIT**

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**MARITA A. YAP**

State Auditor IV

OIC-Supervising Auditor

Audit Group D – PFDA/NDA/NTA

Cluster 5 – Agricultural and Natural Resources

Corporate Government Sector

September 14, 2020