AUDIT OBSERVATIONS AND RECOMMENDATIONS

A.1 Financial and Compliance Audit

1. **The validity of the balance of Accounts Receivable - Trade account amounting to P563.205 million could not be determined due to unreconciled balances between the General Ledger (GL) and Subsidiary Ledgers (SL) and the negative results of confirmation.**

1.1 Paragraph 31 of the Framework for the Preparation and Presentation of Financial Statements explains that *"…information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it purports to represent or could reasonably be expected to represent…"*

1.2 Audit of Accounts Receivable – Trade revealed the following audit observations:

a. **Unreconciled balances between the GL and SL**

a.1 Review of the accounting records revealed that as of December 31, 2014, the GL and SL balances of Accounts Receivable – Trade remained unreconciled with a discrepancy totaling P91.293 million as shown in the table below:

Account	Account Code	GL Balance	SL Balance	Difference over(under)
Trade Receivables				
Airtime	121-1	P218,684,264	P186,352,931	P32,331,333
Airtime Ex Deals	121-2	39,701,532	52,137,645	(12,436,113)
Spots (One Morning)	121-3	1,906,400	1,906,400	-
Spots (One Morning) Ex Deals	121-4	1,129,796	1,129,796	-
Spots	121-5	160,192,686	96,085,241	64,107,445
Spots Ex Deals	121-6	114,237,623	116,146,019	(1,908,396)
Facilities	121-8	23,396,140	16,681,628	6,714,512
Government Accounts	121-9	3,896,194	1,411,590	2,484,604
Provincial	121-10	60,000	60,000	-
TOTAL		**P563,204,635**	**P471,911,250**	**P91,293,385**

a.2 Analysis of the accounts disclosed that the discrepancy in the GL and SL balances was a carryover from prior years' unreconciled balances.

b. **Negative results of confirmation**

b.1 Confirmation letters were also sent to debtors based on the balances reported in the aging schedule as of December 31, 2014. Out of the total trade receivables of P563.205 million, the amount of P95.880 million represented by 43 confirmation letters were sent out to addresses provided by the Marketing & Sales department. The result of confirmation of accounts receivable is summarized in the table on the following page.

Result	No. of Accounts	Amount
Confirming balances	None	-
Reporting Differences:	3	
Portion Confirmed		-
Portion excepted to		P 991,400
Returned by Post Office	4	33,750,732
No replies	36	61,137,963
TOTAL	**43**	P**95,880,095**

b.2 The replies we received were from:

Clients	Balance per Books	Balance confirmed
Fil-Chi Media Productions, Inc.	P 6,000	0
Foundations for Agriculture Related Mission	22,400	0
Junnocom Media Services	913,000	0
TOTAL	**P991,400**	0

b.3 The above balances which the three clients confirmed to have zero balances were verified to have been paid in CY 2015.

1.3 **We recommended that Management:**

a) analyze the prior years' GL balances of the Accounts Receivable – Trade to reconcile with the SL; and

b) send demand letters/billing statements to all debtors to remind and update them of their outstanding accounts due to PTNI.

1.4 Management stated that per COA's recommendation, analysis of Accounts Receivable and reconciliation of the GL and SL balances would be conducted by the Network's Finance Division. The only constraint is the difficulty to locate necessary documents needed for reconciliation.

Also, demand letters were sent to some debtors and follow-ups would be undertaken.

Management intends to complete the analysis and reconciliation by December 2015.

2. **The correctness of Cash in Bank balance per books in the amount of P208.043 million as of December 31, 2014 could not be assured due to unreconciled amounts between the General Ledger (GL) and confirmed bank balances contrary to the provisions of Sections 74 of P.D. 1445 and unrecorded trust funds amounting to $1,652.**

2.1 Section 74 of P.D.1445 provides that *"At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a* *reconciliation is made between the balance shown in the reports and the balance found in the books of the agency."*

2.2 The balances confirmed by the Land Bank of the Philippines (LBP) and the Philippine National Bank (PNB) and the General Ledger (GL) balances as of December 31, 2014 are listed below.

BANK ACCOUNT	BANK BALANCE 12/31/14	GL BALANCE 12/31/14	Variance
LBP CA No. 3212-1004-97	P 80,853,853	P78,067,759	P2,786,094
LBP CA No. 3212-1025-97	177,593	177,593	-
LBP CA No. 3212-1026-27	120,484,403	120,458,146	26,257
PNB Combo 119916800022 (213-537126-5)	34,223	10,620,648	(10,586,425)
PNB SA (Equity Fund)	-	(6,288,436)	6,288,436
PNB SA (CONSTEL Fund)	-	621,927	(621,927)
PNB Dollar SA#123438500018 ($19,796.96) *	883,281	4,384,968	(3,501,687)
TOTAL	**P202,433,353**	**P208,042,605**	**(P5,609,252)**

** Multiplied by P44.617 (BSP rate as of 12/29/14)*

2.3 Audit disclosed that as at year-end, Management was unable to reconcile the balances between the GL and those of the banks as shown in Table 1. Furthermore, Bank Reconciliation Statements for some bank accounts were not prepared by the Accounting Division for the following months:

Account No.	Months in CY 2014 BRS Not Submitted
LBP CA No. 3212-1025-97	December
LBP CA No. 3214-0053-78 (Dollar Account)	January - December
PNB Combo 119916800022 (213-537126-5)	January - December
PNB Dollar SA#123438500018 (Dollar Account)	January - December
PNB SA No. 213-840311-7	January - December
PNB SA (CONSTEL Fund)	January - December
PNB SA (Equity Fund)	January - December

2.4 The confirmation reply from LBP as of December 31, 2013 showed Dollar SA No. 3214-0053-78 with a balance of $1,652. However, as of December 31, 2014, the said account no longer appeared in the confirmation reply of LBP. Verification from the Accounting Division revealed that LBP Dollar SA No. 3214-0053-78 was for trust funds from ASEAN. Also, transactions for this account were not recorded in the books of the agency.

2.5 The PNB bank accounts for the Continuing Science Education via Television (CONSTEL) and Equity Funds have long been closed but these accounts still appear in the books.

2.6 Non-reconciliation of the bank accounts for CY 2014 and non-recording of trust fund transactions rendered the correctness and existence of the book balances doubtful.

2.7 **We recommended that Management:**

a) reconcile all bank accounts pursuant to Sections 74 of P.D. 1445;

b) record the trust fund transactions; and

c) **record all adjustments to correct the GL balances.**

2.8 Management replied that the audit observation was positively acknowledged and the Finance Division was directed to facilitate reconciliation of all bank accounts, record the trust fund transactions and adjust the GL balances. The reconciliation process and the adjustment of records would be undertaken until December 2015.

Moreover, the Accounting Division personnel stated that there was a delay in the receipt of monthly bank statements from the LBP. The bank did not perpetually forward to PTNI copies of debit and credit memoranda.

Finally, Management would try to look into the *we-Access* service of LBP to check bank balances via internet.

3. **Management was unable to conduct physical inventory and submit Inventory Reports for its Property Plant and Equipment (PPE) for CY 2014 contrary to COA Circular No. 80-124 dated January 18, 1980. As a result, the reliability of the balance of the PPE account in the gross amount of P1.552 billion could not be ascertained.**

3.1 Section IV of COA Circular No. 80-124 dated January 18, 1980 states that:

"Physical inventory of fixed assets shall be made at least once a year as of December 31 in accordance with the guidelines enumerated herein.

Inventory reports of regional/branch offices, shall be submitted to the head of the agency not later than January 20 for consolidation and the consolidated inventory shall be submitted to the Auditor not later than January 31 of each year, unless extended by the Chairman upon prior request of the head of agency concerned."

3.2 The reliability of the PPE accounts with an aggregate amount of P1.551 billion could not be ascertained because of Management's failure to conduct physical inventory and submit Inventory Reports pursuant to COA Circular No. 80-124 dated January 18, 1980.

3.3 Inventory count is not only aimed to check the integrity of property ownership but also to ascertain the reliability and propriety of account balances. The results of the physical inventory should be reconciled with the Property Card and PPE Ledger Card that must be maintained by the Property and Accounting Divisions, respectively to properly account for all PPE of the agency.

3.4 Review of the PPE accounts for the year showed significant increases in the following assets, to wit:

Account Title	Balance 12/31/13	Increase	Balance 12/31/14
Land	P 1,465,000	-	P 1,465,000
Office Buildings	210,304,927	P16,481,098	226,786,025
Office Structures	2,244,338	-	2,244,338
Office Equipment	20,782,963	454,018	21,236,981
Office Fixtures	5,128,661	64,618	5,193,279
IT Equipment/Software-Computer Equipt	31,139,529	421,959	31,561,488
Engineering/Communication Equipment	822,405,945	41,466,562	863,872,507
Other Machinery & Equipment-Tools	985,220	-	985,220
Motor Vehicles	79,570,171	-	79,570,171
Other PPE-Unaccounted	161,399,195	-	161,399,195
Construction In Progress-Agency Assets	65,099,320	92,409,717	157,509,037
Items in Transit	338,631	-	338,631
TOTAL	**P 1,400,863,900**	**P151,297,972**	**P 1,552,161,872**

3.5 Absence of physical inventory and Inventory Reports rendered the balances of PPE for CY 2014 doubtful.

3.6 **We recommended Management to:**

a) **conduct physical inventory of all its PPE and prepare a complete and accurate PPE Inventory Report in accordance with COA Circular No. 80-124 dated January 18, 1980; and**

b) **reconcile the results of the physical inventory with the Property Cards and PPE Ledger Cards maintained by the Property and Accounting Divisions.**

3.7 Management commented that in CY 2014, the Network initiated the implementation of the first phase of the Network's Modernization Program. This required the procurement of various equipment and facilities covered by the capital outlay budget for the year.

Due to lack of personnel who have knowledge or experience in public bidding or procurement process, most, if not all of the Network's Property Section personnel were assigned to the Bids and Awards Committee (BAC) Secretariat and/or Technical Working Group (TWG). The fact that they have to meet bidding deadlines, considering that the funds earmarked for the projects have to be obligated or disbursed within the period of its validity/authority, the documentation of the bidding process was given priority by the Property Section personnel. Documentation of the public biddings conducted until December 2014 continued until the first quarter of CY 2015.

For CY 2015, PTNI will ensure that proper and timely physical inventory of PPE shall be conducted.

4. **The Agency entered into co-production agreements with various program producers either with minimum guaranteed payments or without any financial consideration resulting in unrealized revenue of P25.121 million.**

4.1 In CY 2014, the Network entered into a co-production with various program producers covered with Memoranda of Agreement (MOAs). Verification showed that the airtime rates granted to these producers were below the approved airtime rates. The airtime rates provided by the Sales & Marketing Division are as follows:

WEEKDAYS (Monday – Friday)		WEEKENDS (Saturday – Sunday)	
Time Schedule	Rate per Hour	Time Schedule	Rate per Hour
06:00AM - 12:00NN	40,000	06:00AM - 12:00NN	50,000
12:00NN - 01:00PM	50,000	12:00NN - 01:00PM	60,000
01:00PM - 05:00PM	40,000	01:00PM - 05:00PM	50,000
05:00PM - 06:00PM	50,000	05:00PM - 06:00PM	60,000
06:00PM - 07:00PM	65,000	06:00PM - 07:00PM	70,000
07:00PM - 10:00PM	200,000	07:00PM - 10:00PM	200,000
10:00PM - 11:00PM	100,000	10:00PM - 11:00PM	100,000
11:00PM - 12:00MN	50,000	11:00PM - 12:00MN	70,000

4.2 The Programming Guidelines state that:

Co-Production shall be classified into the following:

B.2.1. Straight co-productions, where the Network provides the airtime only or airtime with facilities. Co-producer provides the program concept, talents, and all out-of pocket expenses for the program.

B.2.1 Guaranteed co-productions, where the Network provides the airtime only or airtime with facilities. Co-producer provides the program concept, talents, and all-out-of-pocket expenses for the program. The co-producer shall also pay the Network a minimum guaranteed amount.

4.3 Review of the MOA revealed that the Co-Production agreements were either with minimum guaranteed payments or without any financial consideration, as shown in the table on the following page.

MOA No.	Client	Particulars	No. of Telecast	Minimum guarantee (per MOA)	Total Contract Price (per MOA)	Cost of Airtime (per rate card)	Difference
2014-001; 2014-006; 2014-015; 2014-022	Biznews Asia Phils.	Biznews Monday 7pm to 8pm Feb-Sept: Thurs 8pm to 9pm Oct-Dec: Monday 10:30pm to 11:30pm	51	P25,000/ week inclusive of VAT	P1,275,000	P9,000,000	P 7,725,000
2014-002; 2014-005; 2014-009; 2014-016; 2014-021	Heavenly Images Production for TV	Kasangga Mo ang langit & Byaheng Langit Wed 8:30pm to 9pm June-Dec: Sunday 10:30pm to 11pm	45	-	-	2,800,000	2,800,000
2014-003; 2014-011; 2014-017	Kahangahangang Pilipinas	Program Monday to Friday 9am to 9:30am	196	-	-	3,920,000	3,920,000
2014-004; 2014-008	D-Shep TV Production	Camerageek TV: Pinoy Best Shot Weekly 1-hour program Saturday 10pm to 11pm	24	-	-	2,400,000	2,400,000
2014-007	XPS Television (XPS TV)	Xperience Pinoy Sports Sunday 11am to 11:30am	3	P10,000.00 plus 12% VAT per episode	33,600	75,000	41,400
2014-010; 2014-018	Digital Headquarters Production, Inc.	Upload Tuesday 8pm to 9pm	29	-	-	5,800,000	5,800,000
2014-019	PTV Korean Entertainment, Inc.	a) Here comes Mr. OH (mbc) b) Tears in Africa (mbc) c) Tears of the Amazon (mbc) Monday to Friday 5:30pm to 6pm	43	-	-	1,075,000	1,075,000
2014-024	Metrosports	Shakey's G-League Two-hour sports show Monday to Friday 3pm to 5pm	17	-	-	1,360,000	1,360,000
TOTAL					**P1,308,600**	**P26,430,000**	**P25,121,400**

4.4 Further, a "split-sharing" of commercial availabilities between the Network and its co-producers were also stipulated in the Memorandum of Agreement, as shown in the table on the next page.

MOA No.	Client	Particulars	Sharing of Commercial Availabilities
2014-001; 2014-006; 2014-015; 2014-022	Biznews Asia Phils. (BNA)	Biznews Monday 7pm to 8pm 10:30pm to 11:30pm Thurs 8pm to 9pm	1) BNA: 4 minutes PTNI: 6minutes 2) BNA: 2 minutes PTNI & BNA: 8 minutes (50/50 revenue sharing)
2014-002; 2014-005; 2014-009; 2014-016; 2014-021	Heavenly Images Production for TV (HIP TV)	Kasangga Mo ang langit & Byaheng Langit Wed 8:30pm to 9pm Sunday 10:30pm to 11pm	1) PTNI: 4.5mins or 9-30 seconder HIP TV: 4.5mins or 9-30 seconder Each party agrees to sell their split shares to advertising agencies assigned each. 2) The parties shall share the gross revenue on a 50/50 sharing, except for the agencies/clients assigned to each of the parties.
2014-003; 2014-011; 2014-017	Kahangahangang Pilipinas (KP)	Program Monday to Friday 9am to 9:30am	1) KP :4 mins or 8-30's PTNI: 4mins or 8-30's Each party agrees to sell commercial spots to agencies/clients assigned to each. 2) The revenue of the program shall be shared 50/50 by both parties.
2014-004; 2014-008	D-Shep TV Production	Camerageek TV: Pinoy Best Shot Weekly 1-hour program Saturday 10pm to 11pm	Any revenue generated shall be shared by both parties on a 60-40 arrangement split, in favor of D-Shep, after deducting commissions, taxes & other related expenses.
2014-007	XPS Television (XPS TV)	Xperience Pinoy Sports Sunday 11am to 11:30am	PTNI: 4.5 minutes or 9-30 seconder XPS TV: 4.5 minutes or 9-30 seconder Each party agrees to sell their split shares to advertising agencies assigned each
2014-010; 2014-018	Digital Headquarters Production, Inc.	Upload Tuesday 8pm to 9pm	Any revenue generated shall be shared by both parties on a 50/50 arrangement split after deducting taxes and management/agency fees.
2014-019	PTV Korean Entertainment, Inc. (PKEI)	a) Here comes Mr. OH (mbc) b) Tears in Africa (mbc) c) Tears of the Amazon (mbc) Monday to Friday 5:30pm to 6pm	Any revenue generated shall be shared by both parties on a 60-40 arrangement split (60 for PKEI & 40 for PTNI) based on gross revenue.
2014-024	Metrosports	Shakey's G-League Two-hour sports show Monday to Friday 3pm to 5pm	Any revenue generated shall be shared by both parties on a 50-50 arrangement split after deducting production cost of the 2-hour primers & freelance agent fees.

4.5 Paragraph B.3.2 of the Programming Guidelines provides that: *"In case of split-selling of commercial availabilities, the Sales Unit shall negotiate for the best possible arrangement for the Network"*.

4.6 The agency, however, did not utilize its share of commercial availabilities. Review of Certificates of Performance (CPs) revealed that commercials within the program were sales exclusively of the co-producer from advertising agencies assigned to them. While the Network incurred expenses in providing airtime for the programs, no revenues were generated to cover such costs. Thus, the practice of entering in Co-production Agreements without minimum guaranteed payment is deemed disadvantageous to the Network.

4.7 Paragraph B.3.5. of the same guidelines further states that: *"A review of the program's sales performance shall be conducted after the first month of telecast. The co-producer and the Network may opt to cancel the program if the sales projections and the minimum sales quota are not met".*

4.8 Management opted not to cancel the programs even if the results were losses to the agency.

4.9 **We recommended that:**

a) a minimum guaranteed payment based on the Airtime Rate Card be required from all co-producers in order to have assured revenue from the use of airtime; and

b) the Sales and Marketing Division exert more effort to maximize the Network's earning potential.

4.10 Management commented that under the amended PTNI Charter, the Network did not get any allocation from the government for program development. They could not produce quality programs needed to be able to generate enough revenue for its operations. In order to beef up its programming with the available resources, the Network resorted to co-production with various program producers but the same was still constrained to education, sports, tourism, quality entertainment programs and programs that promote public interest and social awareness in line with the Network's mandate. This initial strategy would also help maintain the Network's visibility in the television industry.

Advertisers still perceive PTNI as the mouthpiece of the government, thus making it difficult for the Network's Sales and Marketing Division to sell its programs to advertisers and compete with other private television stations.

In some instances, PTNI was able to force the issue of guaranteed payments but not comprehensively. Recently, Management has slowly phased out programs under co-production arrangement replacing them with paying and in-house programs. The only co-production programs still running are *Kasangga Mo ang Langit* and *Panahon TV* which are programs that promote public interest and social awareness in line with the Network's mandate. In case there will be a need for a co-production arrangement, the Network will impose the guaranteed amount to assure airtime revenue.

A new rate card is also being formulated by the Sales and Marketing Department which is subject for approval of the Board.

5. **Commercial spots amounting to P0.880 million were aired in CY 2014 without approval and supporting documents.**

5.1 Audit disclosed that commercial spots for Accel Sports and L&C Powerplus (Barako Bull) worth P0.880 million in CY 2014 were aired through "PTV Sports" despite the absence of an approval by concerned officials and deficiencies in documentary requirements showing weak controls in the implementation of the Network's policies on airtime telecasts.

5.2 The Contract of Service (COS) of the PTV Sports' anchor provides that:

"5. That in view, hereof, the Second Party is hereby contracted as MAIN ANCHOR for "PTV Sports" and other PTV Sports programs in consideration of the monthly rate of ***FORTY THOUSAND PESOS (P40,000.00)****, less the necessary withholding taxes, to be paid on the 15th and 30th of each month, after the submission of the required documents on the 11th and 26th of the month.*

The ***SECOND PARTY*** *shall be entitled to solicit, bill and collect one (1) thirty second commercial spot a day for airing on the program* ***"PTV Sports"*** *subject to the following conditions:*

a. Submit proposal for the airing of spots, advertising credits, casual mention, subliminals, plugs, etc., to the General Manager for approval;

b. Proposal must indicate total value of spots inclusive of agency and sales commissions, if any;

c. Time of airing;

d. Provide network of a copy of the telecast order, media purchase order, or other pertinent documents prior to airing;

e. No airing will be allowed without the appropriate approval and documents;
f. Appropriate Certificate of Performance will be issued by the Traffic Unit after airing.

5.3 Per interview with the host for the PTV Sports Program, the arrangements with Accel Sporteum Philippines and L&C Powerplus (Barako Bull) were ex-deal/perks agreements in his favor and payment for the airtime considerations were in the form of products to be rendered to him as follows:

1. Payment consideration for Accel Sporteum in 2013 and 2014; clothing and sports apparel worth P40,000.00 per year, to be given monthly or once in two (2) months for the year; (for 15 secs. commercial spots)

2. Payment consideration for L&C Powerplus (Barako Bull) in 2013 and 2014; energy drink and products worth P40,000.00 per year, to be rendered monthly or once in two (2) months for the year; (for 15 secs. commercial spots)

5.4 According to representatives from the Sales and Marketing Department, per Network policy, all types of telecast/airtime projects, (government and private production, ex-deal and other arrangements) should first bear the endorsement of the Sales and Marketing Department's Account Executives (SAEs) and its Department Head, for the preparation of its pertinent Broadcast Contract. The contract, together with the Telecast Order and Implementation Plan, will then be presented to the General Manager (GM) for approval, before its turn over to the Traffic Department for airing.

5.5 Review of documents submitted vis-à-vis documentary requirements and conditions prescribed in the airing of commercial spots per COS of the PTV Sports Anchor, however, revealed the following deficiencies:

Per Provisions of the Contract	Per Review of Documents Submitted
a. *Submit proposal for the airing of spots, advertising credits, casual mention, subliminals, plugs, etc., to the General Manager for approval;*	- No proposal was submitted to the General Manager's Office and Sales and Marketing Division in 2013 and 2014;
b. *Proposal must indicate total value of spots inclusive of agency and sales commissions, if any;*	- The Contract Agreement between Mr. Badua with Accel Sports and L&C Powerplus (Barako Bull) in 2013 and 2014, for the airing of commercial spots bear no endorsement of the Sales and Marketing Department and approval of the Network General Manager. Moreover, the contract for Accel, was intended for 15 second spots and not 30 and 25 second spots as have been telecast in 2013 and 2014, thus an excess in airtime given of 15 seconds from January to April 2013 and 10 seconds from May 2013 to January 2014.
c. *Time of airing;*	- Time of airing were provided in the contract agreement;
d. *Provide network of a copy of the telecast order, media purchase order, or other pertinent documents prior to airing;*	- No copy of the telecast order, media purchase order, or other pertinent documents (Implementation Plan) were provided to the Network by Mr. Edwin Badua in 2013 and 2014, as required;
e. *No airing will be allowed without the appropriate approval and documents;*	
f. *Appropriate Certificate of Performance will be issued by the Traffic Unit after airing.*	- Certificates of Performance were prepared by the Traffic Department for the airtime jobs for commercial spots, for both Accel Sports and L&C Powerplus despite the absence of a duly-approved broadcast contract.

5.6 Based on the PTV Rate Card provided by the Sales and Marketing Department, commercial spots and bumpers have the following commercial rates:

Commercial Length (in seconds)	Rate per Spots	
	Non-PrimeTime	Primetime
15	P15,000	P27,000
30	25,000	45,000
45	40,000	72,000
60	50,000	90,000
Bumpers	P5,000 per exposure	

5.7 This audit observation was also included in the 2013 Annual Audit Report. Details of the commercial spots aired in 2013 and 2014 based on the existing airtime rates are as follows:

ACCEL Sporteum Philippines
PY 2013

Client Name	CP No.	Month of Airing	Type of Product	Non-Prime Time Rate	No. of Times Aired	Revenue Equivalent per PTV Rate Card
ACCEL Sporteum Phils.	65403	Jan. 2013	30's	25,000	21	P525,000
ACCEL Sporteum Phils.	65593	Feb. 2013	30's	25,000	19	475,000
ACCEL Sporteum Phils.	65745	March 2013	30's	25,000	17	425,000
ACCEL Sporteum Phils.	65947	April 2013	30's	25,000	22	550,000
					79	P1,975,000
ACCEL Sporteum Phils.	66172	May 2013	25's	25,000	21	525,000
ACCEL Sporteum Phils.	66340	June 2013	25's	25,000	20	500,000
ACCEL Sporteum Phils.	66571	July 2013	25's	25,000	22	550,000
ACCEL Sporteum Phils.	66803	Aug. 2013	25's	25,000	19	475,000
ACCEL Sporteum Phils.	67050	Sept. 2013	25's	25,000	21	525,000
ACCEL Sporteum Phils.	67222	Oct. 2013	25's	25,000	23	575,000
ACCEL Sporteum Phils.	67409	Nov. 2013	25's	25,000	11	275,000
ACCEL Sporteum Phils.	67597	Dec. 2013	25's	25,000	20	500,000
					157	P3,925,000
TOTAL					**236**	**P5,900,000**

L&C Powerplus (Barako Bull)

Client Name	CP No.	Date	Type of Product	Non-Prime Time Rate	No. of Times Aired	Revenue Equivalent per PTV Rate Card
Barako Bull	65948	April 2013	15's	15,000.	10	P150,000
Barako Bull	66173	May 2013	15's	15,000	21	315,000
Barako Bull	66341	June 2013	15's	15,000	20	300,000
Barako Bull	66572	July 2013	15's	15,000	22	330,000
Barako Bull	66804	Aug. 2013	15's	15,000	19	285,000
Barako Bull	67051	Sept. 2013	15's	15,000	21	315,000
Barako Bull	67223	Oct. 2013	15's	15,000	23	345,000
Barako Bull	67410	Nov. 2013	15's	15,000	11	165,000
Barako Bull	67598	Dec. 2013	15's	15,000	20	300,000
TOTAL					**167**	**P2,505,000**
Total Revenue Equivalent (Accel and L&C Powerplus) in 2013						**P 8,405,000**

(Ref.: AOM# 2014-10 dated April 23, 2014)

CY 2014

Client Name	CP No.	Date	Type of Product	Non-Prime Time Rate	No. of Times Aired	Revenue Equivalent per PTV Rate Card
ACCEL	67791	Jan. 2014	25's	25,000	22	550,000
Barako Bull	67792	Jan. 2014	15's	15,000	22	330,000
Total Revenue Equivalent (Accel and L&C Powerplus) in 2014						**P 880,000**

5.8 Since the PTV Rate Card did not provide commercial rate for a 25-seconder spots, these were computed based on the rate of a 30-seconder (30's) commercial spots.

5.9 Deficient income for 2013 and 2014 for the above advertisers are as follows:

CY		Potential Income	Actual Income	Deficiency
2013	Accel	P5,900,000	P40,000	P5,860,000
	Barako Bull	2,505,000	40,000	2,465,000
		P8,405,000	**P80,000**	**P8,325,000**
2014	Accel	550,000	40,000	510,000
	Barako Bull	330,000	40,000	290,000
		P 880,000	**P80,000**	**P800,000**
Total		**P9,285,000**	**P160,000**	**P9,125,000**

5.10 As the Network was deprived of the potential revenue of P0.880 million in 2014 and P8.405 million in 2013, the ex-deal arrangements were carried out contrary to the existing policy on airtime rates and without prior approval of telecast contracts. These manifested violations of the Network's policies and regulations and weak controls in the network's telecast operations considering that commercial spots were still aired despite the lack of documentary requirements.

5.11 **We recommended that Management:**

a) **strictly enforce compliance with the existing airtime rates, prior endorsement of the Sales and Marketing Department and GM's approval;**

b) **treat Ex-deal agreements provided in the COS of the program host as revenue of the Network; and**

c) **implement the policy on the preparation and approval of broadcast contract as well as revisit this to include requirement on coordination among the Administration Department (in charge of the preparation of contracts of service), the Sales and Marketing Departments (in charge of telecast/airtime contracts) and the Traffic Department (in charge of airtime jobs/performance) for the purpose of ensuring the best interest of the government.**

5.12 Management stated that due to cash flow problems, the Network provided premium spots for the talents to sell independently for additional incentives.

Contracts of this nature have been discontinued in accordance with the audit recommendation.

6. **Net Value-added Tax (VAT) of P53.546 million was not remitted to the Bureau of Internal Revenue (BIR) contrary to the provisions of the National Internal Revenue Code (NIRC) resulting to accumulated balances for Output and Input Taxes of P148.851 million and P95.305 million respectively as of December 31, 2014.**

6.1 Section 105 of the National Internal Revenue Code (NIRC) states that "*Any person who in the course of trade or business, sells, barters, exchanges, leases goods or properties, renders services, and any persons who imports goods shall be subject to the value-added tax (VAT) imposed in Sections 106 to 108 of this Code.*

6.2 *The value-added tax is an indirect tax and the amount of tax may be shifted or passed on to the buyer, transferee or lessee of the goods, properties or services".*

6.3 As of December 31, 2014, the General Ledger (GL) balances of Output and Input Taxes showed P148,851,439.00 and P95,305,284.40 respectively, resulting to a net taxes payable of 53,546,154.60 as shown below:

Period	VAT Output Tax	Input Tax	VAT Payable (excess carry over)
Beg. Balance 2010 & below	101,253,057	55,595,956	P 45,657,101
CY 2011	11,099,069	2,936,005	8,163,064
CY 2012	10,572,679	5,244,922	5,327,757
CY 2013	15,433,072	13,118,156	2,314,916
CY 2014	13,493,562	18,410,246	(4,916,684)
Total	**151,851,439**	**95,305,284**	**56,546,155**
Remittance (May 2013)	(3,000,000)		(3,000,000)
Balance, December 31, 2014	**148,851,439**	**95,305,284**	**P 53,546,155**

6.4 Section 110 (B) of the NIRC states that: *"If at the end of any quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters."*

6.5 Interview with the accounting personnel disclosed that the non-remittance of net output tax resulted from management's decision to use the entire collections for Network's operations due to limited funds.

6.6 While VAT being an indirect tax and has passed on to the buyer/client, non-remittance of such could not be justified since cash was readily available and already collected from the clients.

6.7 Section 251 of the National Internal Revenue Code (NIRC) further states that " *any person required to withhold, account for, and remit any tax imposed by this Code or who willfully fails to withhold such tax, or account for and remit such tax, or aids or abets in any manner to evade any such tax or the payment thereof, shall, in addition to other penalties provided for under this Chapter, be liable upon conviction to a penalty equal to the total amount of the tax not withheld, or not accounted for and remitted".*

6.8 **We recommended that Management remit the net output VAT to the BIR pursuant to the aforementioned provisions of the NIRC.**

6.9 Management replied that due to unavailable funds and inadequate revenues, tax remittances to the BIR were delayed. However, Management had already made representations with BIR to explore options for the settlement of unremitted net output VAT and other taxes withheld by the Network.

Management also sent a letter to BIR requesting for reconciliation of accounts and once completed, the Network can propose settlement options.

7. **Loan amortizations deducted from employees' salaries amounting to P34.348 million were not fully remitted to GSIS contrary to the provisions of the Implementing Rules and Regulations of.R.A. 8291 (Revised Government Insurance Act of 1977).**

7.1 Section 14 of R.A. 8291 provides:

14.2 The government agency shall also deduct from the fixed monthly compensation of the employee the loan amortizations (consolidated loans, policy loan, emergency loan, housing loan, and other loans), premium payments (optional, pre-need and other non-life insurance) and other amounts due the GSIS.

14.3 The said amounts shall be remitted to the GSIS within the first Ten (10) days of the calendar month following the month when the deductions were effected, accompanied by supporting lists in the form prescribed by the GSIS."

7.2 Audit showed that loan amortizations deducted from salaries and remitted to GSIS during the year were as follows:

Month	Salary Deductions	Remittances	Balance
Prior years' balance	P30,432,665	P2,641	P30,430,024
January	367,125	2,642	364,483
February	359,327	2,642	356,685
March	345,831	2,642	343,189
April	344,920	2,642	342,278
May	353,185	2,642	350,543
June	341,042	2,642	338,400
July	334,885	73,389	261,496
August	329,725	2,642	327,083
September	329,035	2,641	326,394
October	317,858	2,642	315,216
November	299,698	2,642	297,056
December	295,486	-	295,486
Totals	**P34,450,782**	**P102,449**	**P34,348,333**

7.3 As shown in the table above, loan payments deducted from salaries of employees were not fully remitted to GSIS. The total loan remittances amounting to P102,449 represent only 0.3 percent of the total loan deductions from salaries of P34.451 million.

7.4 Section 59.6 of R.A. 8291 provides: *"The heads of the offices of the national government its political subdivisions, branches, agencies and instrumentalities, including government-owned or controlled corporations and government financial institutions, and the personnel of such offices who are involved in the collection of* *premium contributions, loan amortization and other accounts due the GSIS who shall fail, refuse or delay the payment, turnover, remittance or delivery of such accounts to the GSIS within thirty (30) days from the time that the same shall have been due and demandable shall, upon conviction by final judgment, suffer the penalties of imprisonment of not less than one (1) year nor more than five (5) years and a fine of not less than Ten thousand pesos (P10,000.00) nor more than Twenty thousand pesos (P20,000.00), and in addition shall suffer absolute perpetual disqualification from holding public office and from practicing any profession or calling licensed by the government.* Section 59.7 *further states: "The officers and/or personnel referred to above shall be liable not only criminally but also civilly to the GSIS or to the employee or member concerned in the form of damages, including surcharges and interests.*

7.5 **We recommended that Management remit all loan amortizations deducted from salaries of the Agency's personnel to GSIS pursuant to R.A. 8291 to avoid above-mentioned sanctions/penalties provided under Sections 59.6 and 59.7 of R.A. 8291.**

7.6 Management stated that they were able to secure funds from the Department of Budget and Management (DBM) with the approval of the President and paid last January 2015 the unremitted GSIS loans (principal). Management is in the process of negotiating the settlement of accumulated interests and penalties through media values. The draft agreement has been submitted to the GSIS for review.

8. **The Agency did not fully remit Philippine Health Insurance Corporation (Philhealth) contributions contrary to the provisions of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013.**

8.1 Section 11 of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013 states that:

Remittance of Premium Contribution - Remittance of contribution shall be mandatory for all members. It shall be made to PhilHealth offices or to any of the accredited collecting agents. Failure to timely remit the appropriate premium contribution shall be subject to interest and penalties as prescribed by the Corporation without prejudice to other applicable penalties herein provided.

8.2 Section 179 further provides that:

Failure or Refusal to Remit Contributions - Any employer or officer authorized to collect contributions who, after collecting or deducting the monthly contributions due from the employees, fails or refuses to remit said contributions to the Corporation within thirty (30) days from the date they become due shall be punished with a fine of not less than Five Thousand Pesos (P5,000.00) but not more than Ten Thousand Pesos (P10,000.00) multiplied by the total number of employees of the firm.

8.3 Audit of Trust Liabilities showed that Philhealth premium contributions and remittances for CY 2014 were recorded in the books as shown in the table on the next page.

Month	Contributions	Remittances	Balance
Prior years' balance			P5,718,891
January	P196,435	P432,186	(235,751)
February	196,130	161,476	34,654
March	195,718	160,189	35,528
April	196,283	159,600	36,683
May	195,059	-	195,059
June	194,146	319,275	(125,129)
July	193,382	161,360	32,022
August	192,503	157,775	34,728
September	186,020	157,025	28,995
October	184,681	151,800	32,881
November	184,285	151,100	33,185
December	183,790	150,300	33,490
Totals	**P2,298,432**	**P2,162,086**	**P5,855,237**

8.4 The table above shows that most of the amount unremitted was for prior years. For CY 2014, unremitted balance amounted to P136,346.

8.5 **We recommended that Management remit all premium contributions to Philhealth pursuant to the Revised Implementing Rules and Regulations of the National Health Insurance Act of 2013.**

8.6 Management commented that they have initiated the regular remittance of current Philhealth premium contributions. For prior years' contributions, they would be coordinating with Philhealth to explore the possibility of coming up with a reasonable settlement agreement that PTNI can afford given its current financial condition.

9. **Cash advances granted to officers and employees for official travels and other contingency expenses amounting to P4.715 million were not liquidated pursuant to COA Circular No. 97-002 dated February 10, 1997 and Section 89 of P.D. 1445.**

9.1 COA Circular No. 97-002 provides the guidelines and limitations in the utilization of cash advances, to wit:

"4.1 General Guidelines

4.1.1 No Cash advance shall be given unless for a legally specific purpose.

4.1.2 No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

4.1. A cash advance shall be reported on as soon as the purpose for which it was given has been served.

4.1.4 *Only permanently appointed officials shall be designated as disbursing officers. Elected officials may be granted a cash advance only for their official traveling expenses.*

4.1.5 *Only duly appointed or designated disbursing officers may perform disbursing functions. Officers and employees who are given cash advances for official travel need not be designated as Disbursing Officers.*

4.1.6 *Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed.*

4.1.7 *The cash advance shall be used solely for the specific legal purpose for which it was granted. Under no circumstance shall it be used for encashment of checks or for liquidation of a previous cash advance.*

4.1.8 *The Accountant shall obligate all cash advances granted. He shall see that cash advances for a particular year are not used to pay expenses of other years.''*

9.2 Section 89 of PD 1445 provides that:

"No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made."

9.3 Summary of the nature of the Due from Officers and Employees account for CY 2014 is as follows:

Nature of the CA	PY	CY 2014	Total
PY Balances of Retired, Deceased, Resigned, Absence Without Leave (AWOL) Accountable Officers (Annex A)	P 3,950,615		
PY Balances of Accountable Officers, actively employed (Annex B)	3,373,756		
CY Balances of Accountable Officers, actively employed (Annex B)		P1,850,697	
Total per Audit	P7,324,371	P1,850,697	P9,175,068

9.4 Collection efforts for unsettled cash advances from retired, deceased, resigned and AWOL Accountable Officers (AOs) were weak that chances for collectibility are now uncertain. Furthermore, some of these former employees' whereabouts could no longer be traced.

9.5 To reiterate previous year's observations, AOs were continuously granted additional cash advances without being required to settle their previous accountabilities.

9.6 Moreover, contractual employees were given cash advances contrary to existing rules and regulations further exposing the Network to possible loss of government funds in view of the nature and uncertainty of their employment. Contractual employees' tenure of service largely depends on the possible renewal of their Contracts of Service (COS) with the Network, As had been observed in the past, some of the AOs with COS status who were given large sums of cash advances had left the Network without settling their obligations by abrupt resignation or going on AWOL.

9.7 As part of their resolve to collect from unpaid/unsettled cash advances, Management resorted to monthly deduction from employee salaries at an agreed amount of P1,000/month. However, to date, no Memoranda of Agreement (MOAs) on the monthly deductions, if any, entered into by the AO and the Network were submitted to the Audit Team.

9.8 The practice of salary deduction from unsettled cash advances is contrary to the provisions of COA-Circular 97-002, which requires prompt liquidation of cash advances.

9.9 To date, total collections for 2014 amounted to only P81,500 from the outstanding balance subject to deductions of P0.795 million (Annex C).

9.10 The Audit Team had filed cases before the Office of the Ombudsman against some officers and employees of the Network on April 30, 2014 pursuant to COA Circular No. 2012-004 dated November 28, 2012. Despite this, Management still failed to monitor and require Accountable Officers to promptly liquidate their cash advances.

9.11 **We recommended that Management strictly comply with the provisions of COA Circular No. 97-002 and require:**

a) the concerned personnel to settle/liquidate their cash advances immediately upon serving its purpose and submit valid documents to support the liquidation; and

b) the regular monitoring and strict enforcement of controls in the submission, settlement and liquidation of cash advances by the Finance Division.

9.12 Cognizant of the pertinent provisions of COA Circular No. 97-002 dated February 10, 1997 and Section 89 of P.D. 1445, Management through its Finance Division issued demand letters to concerned personnel reiterating the liquidation of their cash advances immediately, otherwise, withholding of their salaries would be effected on June 30, 2015.

Management assured the Commission that the requisite control, enforcement and monitoring mechanisms would be put in place so that rules and regulations on the liquidation of cash advances are adhered to.

10. **The Network did not submit the complete sets of bidding documents for completed contracts in CY 2014 contrary to Section 3 of COA Circular No. 2009-001 dated February 12, 2009.**

10.1 Section 3 of COA Circular No. 2009-001 dated February 12, 2009 states that:

3. Contracts

3.1 Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies, or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each and all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. In case of agencies audited on an engagement basis, submission of a copy of the contract and its supporting documents shall be to the Auditor of the mother agency or parent company, as the case may be.

3.2 The copies of documents required to be submitted shall include but not limited to the following:

a. Invitation to Apply for Eligibility and to Bid;
b. Letter of Intent;
c. Eligibility Documents and Eligibility Data Sheet;
d. Eligibility Requirements;
e. Results of Eligibility Check/Screening;
f. Bidding Documents (Sec. 17.1 IRR-A, RA 9184);
g. Minutes of pre-bid conference, if applicable;
h. Agenda and/or Supplemental Bid Bulletins, if any;
i. Bidders Technical and Financial Proposals;
j. Minutes of Bid Opening;
k. Abstract of Bids;
l. Post-Qualification Report of Technical Working Group;
m. BAC Resolution declaring winning bidder;
n. Notice of Post-Qualification;
o. BAC Resolution recommending approval;
p. Notice of Award;
q. Contract Agreement;
r. Performance Security;
s. Program of Work & Detailed Estimates;
t. Certificate of Availability of Funds, Obligation Request;
u. Notice to Proceed;
v. Such other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the technical evaluation thereof.

10.2 The completed contracts in 2014 with deficiencies in documentary requirements are listed in the tables on the following page.

Table 1. Completed Contracts with Partially Submitted Documents

Contract Date	Completed Delivery Date	Contractor	Project	Contract Price	Lacking Documents
04/25/14	06/02/14	Composite Technology, Inc.	Supply, Delivery, Installation, Testing, Training & Commissioning of two (2) sets Transportable Live Pack with complete standard accessories using Wireless LIVE Broadcasting Transmission internet operations (PB#14-03-001)	P 5,000,000.00	1. *Letter of Intent;* 2. *Eligibility Documents and Eligibility Data Sheet;* 3. *Eligibility Requirements;* 4. *Results of Eligibility Check/Screening;* 5. *Agenda and/or Supplemental Bid Bulletins, if any;* 6. *Bidders Technical and Financial Proposals;* 7. *BAC Resolution recommending approval;* 8. *Program of Work & Detailed Estimates;* 9. *Notice to Proceed;*
07/08/13	06/20/14	Rimport Industries, Inc.	Supply, Delivery, Installation, Integration, Integration, Testing & Commissioning of Complete Studio Production Equipment for PCSO Lotto Draws (PB#13-04-010)	19,855,029.00	1. *Letter of Intent;* 2. *Eligibility Documents and Eligibility Data Sheet;* 3. *Eligibility Requirements;* 4. *Results of Eligibility Check/Screening;* 5. *Bidders Technical and Financial Proposals;* 6. *BAC Resolution recommending approval;* 7. *Program of Work & Detailed Estimates;* 8. *End-User's Certificate of Inspection and Acceptance*
07/15/13	on-going	Rimport Industries, Inc	Supply, Delivery, Installation, Integration, Testing & Commissioning of one (1) set Air-Cooled Band III (Ch-8) 5KWatt & Two (2) sets (Ch-11) 10LWatt Analog Transmitters & Accessories for PTV Baguio, Cebu & Davao Provincial Stations (PB#13-02-007)	36,858,144.00	1. *Letter of Intent;* 2. *Eligibility Documents and Eligibility Data Sheet;* 3. *Eligibility Requirements;* 4. *Results of Eligibility Check/Screening;* 5. *Bidders Technical and Financial Proposals;* 6. *BAC Resolution recommending approval;* 7. *Notice of Post-Qualification;* 8. *Program of Work & Detailed Estimates;*
10/17/14	on-going	Composite Technology, Inc.	Supply, Integration, Installation, Testing and Commissioning of Complete End-to-End Solution for Full High Definition of Master Control Automation System (News, Media, Archive, etc.) Audio Video Ethernet to all Section, Divisions as part of the Technical Operation Center (TOC) (PB#13-11-018)	173,250,000.00	1. *Letter of Intent;* 2. *Eligibility Documents and Eligibility Data Sheet;* 3. *Eligibility Requirements;* 4. *Bidders Technical and Financial Proposals;* 5. *Results of Eligibility Check/Screening;* 6. *Abstract of Bids;* 7. *Bidders Technical and Financial Proposals;* 8. *BAC Resolution recommending approval;* 9. *Performance Security;* 10. *Program of Work & Detailed Estimates;*
TOTAL				**P234,963,173.00**	

Table 2. Completed Contracts where Only Bidding Documents were Submitted

Contractor	Project	Contract Price
1. Rimport Industries, Inc.	Fully Integrated Broadcast HD-SDI Studio Facilities, for Naga & Cotabato (PB# 14-10-013)	P59,670,350
2. Transmolitor Technologies	5KW Analog Transmitter for Naga & Cotabato (PB# 14-06-008)	27,898,000
3. Solid Video Corporation	Fully equipped ENG-Van with Crash Unit (PB#14-10-014)	57,235,000
4. Composite Technology, Inc.	Microwave Transmission System (PB# 14-10-015)	44,256,360
5. Toyota Commonwealth, Inc.	Service Vehicles for the News Division & other production units (PB#14-07-007)	22,355,500
TOTAL		**P211,415,210**

Table 3. Completed Contracts in 2014 where no Contracts and Supporting Documents were Submitted for Review

Contractor	Project	Contract Price
1. Broadcom Asia, Inc.	Fully-Integrated Broadcast HD-SDI Studio Facilities for Baguio, Cebu & Davao Stations	P89,269,179
2. Broadcom Asia, Inc.	Lot. 1, ENG & EFP Cameras & Accessories for various production units	14,978,968
3. Solid Video Corp.	Lot 2, ENG & EFP Cameras & Accessories for various production units	16,180,000
4. Solid Video Corp.	Lot. 1, 1 set Full-HD Production (OB-Van) w/ 1 set of Prime Power Generator Mounted on Truck	71,800,000
5. Solid Video Corp.	Lot. 2, 1 set Flyaway-SNG with complete accessories	14,200,000
6. Tri-Ex Tower Co., Inc.	5KW Analog Transmitter for Naga & Cotabato	89,854,716
7. Power Dimension, Inc.	Office & Production building for Regional News Centers, specifically, Naga, Cotabato & Cebu & Davao	36,752,287
TOTAL		**P333,035,150**

10.3 **In view of the foregoing deficiencies, we recommended that Management:**

a) strictly comply with the provisions of Section 3 of COA Circular No. 2009-001 dated February 12, 2009 and submit documentary requirements for government procurement contracts; and

b) prepare a record book of document progress for contracts with long-term completion date and update this Office of any additional information or data available as required.

10.4 Management replied that with the prohibition in hiring plantilla personnel pending the implementation of the reorganization plan of the Network, this caused a problem in reconstituting the BAC, TWG and BAC secretariat. Since R.A. 9184 restricts assignment of non-regular employees in the bidding process, some plantilla personnel from the Property Section were assigned in the BAC secretariat and TWG which assist in the conduct and documentation of all public biddings on top of their regular duties. The limited personnel who had to learn the bidding processes caused the delay in the consolidation and timely submission of the documentary requirements.

A.2 Gender and Development

11. **Management was unable to efficiently implement its Gender and Development (GAD) Plan for CY 2014 pursuant to Joint Circular No. 2004-1 dated April 5, 2004.**

11.1 Joint Circular No. 2004-1 dated April 5, 2004 by the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and National Commission on the Role of Filipino Women (NCRFW) issued Guidelines for the Preparation of an Annual Gender and Development (GAD) Plan.

11.2 Paragraph 2.4 states that:

"Pursuant to the annual General Appropriations Act, agencies are tasked to formulate a GAD plan and to implement the same by utilizing at least five percent of their total budget appropriations."

11.3 For CY 2014, the Corporate Operating Budget (COB) of the agency was P1.072 billion. At least five percent of this amount or P53.594 million should have been set aside for GAD programs pursuant to Joint Circular No. 2004-1 dated April 5, 2004.

11.4 The agency submitted its GAD Accomplishment Report for CY 2014 as follows:

Program/Activity	Accomplishments	Amount
Participatory gender policy development, direction setting and planning involving GAD Focal Point System (GFPS)	Planning Workshop with PCOO attached agencies – Feb. 6-7, 2014	P52,398
	GAD National Level Forum and Mid-term Assessment July 31-Aug. 1, 2014	20,591
	GAD Mainstreaming Planning and Budgeting – Oct. 7-8, 2014	95,714
	Training GFPS members of PCOO attached agencies – Oct. 27-29, 2014	198,609
Participation in GAD-related activities	Participation in Women's Month Celebration	12,780
	Participation in the campaign to end violence against women	6,726
Trainings and seminars on GAD issues	GAD Orientation	
	1st Batch – March 20, 2014	34,139
	2nd Batch – June 17, 2014	25,131
	3rd Batch – July 10, 2014	34,688
	4th Batch – Aug. 7, 2014	29,724
	5th Batch – Nov. 12, 2014	16,697
Total		**P527,197**

11.5 The total expenditures for the GAD accomplishments was only P0.527 million which was way below the provided five percent of the agency's budget in the circular.

11.6 Based on the GAD plan and accomplishment report submitted by management, the agency failed to efficiently implement an annual Gender and Development Plan as prescribed in Joint Circular No. 2004-01.

11.7 **We recommended that Management fully implement its GAD Plan pursuant to the prescribed guidelines of Joint Circular No. 2004-1.**

11.8 Management commented that PTNI did not have the financial capacity to spend five percent of its COB in the implementation of GAD activities considering that it incurred a net loss of P150.246 million in CY 2014. To minimize cash expenses, most of the GAD activities were conducted inside PTNI premises and for some seminars, the Network explored possible barter arrangements for the venue as well as for hotel accommodation of participants.

A.3 Status of Unsettled Audit Disallowances, Charges and Suspensions

As of December 31, 2014, disallowances and suspensions amounting to P4.730 million and P4.465 million respectively, remained unsettled. Of the total unsettled disallowance, P0.732 million is under appeal with the Commission on Audit.