Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

September 22, 2020

RECEIVED
BY: Clay
DATE: 9/22/2020
TIME: 1:23pm
OFFICE OF THE GENERAL MANAGER
PEOPLE'S TELEVISION NETWORK

Ms. KATHERINE CHLOE S. DE CASTRO
General Manager
People's Television Network, Inc. (PTNI)
Broadcast Complex, Visayas Avenue,
Diliman, Quezon City

Dear General Manager De Castro:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **People's Television Network, Inc. (PTNI)**, for the years ended December 31, 2019 and 2018.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PTNI for the years ended December 31, 2019 and 2018 in view of the following:

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account totaling P136.275 million as of December 31, 2019 was not established due to total net variance of P17.892 million in the Cash in Bank account between the balances per books of P134.745 million and the confirmed bank balances totaling P152.637 million which remained unadjusted, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. Likewise, the unclaimed checks at year-end totaling P4.785 million were not reverted back to the Cash in Bank account, thereby understating the said account and the Accounts Payable account by same amount.

2. The faithful representation in the financial statements of the Property, Plant and Equipment (PPE) account with carrying amount of P2.063 billion as at December 31, 2019 was not established due to: (a) the non-completion of the physical inventory taking; and (b) variances totaling P579.861 million between the

balances per Accounting records and the Report on the Physical Count of PPE (RPCPPE), contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Further, there was an over provision of depreciation on Office Equipment account amounting to P15.006 million, resulting in the overstatement of Depreciation Expense account and affected other related accounts

For the afore-cited observations, which caused the issuance of a qualified opinion, we recommended that Management:

1.1 Require the Finance Department to: (a) exert all efforts to determine the causes of the remaining unidentified variances, review/analyze the reconciling items, and effect necessary adjustments in the books for fair presentation of the Cash in Bank account in the financial statements; and (b) effect necessary adjusting entries to restore/revert back to the Cash-in-Bank account the unclaimed checks at year-end totaling P4.785 million.

2.1 Ensure that the conduct of the annual physical inventory taking of PPEs is completed, a corresponding RPCPPE is prepared and a copy of which is submitted to the Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980.

2.2 Instruct the Accounting and Property Sections to determine the causes of the variances noted between the books and the RPCPPE and effect necessary adjustments/corrections on the affected records.

2.3 Instruct the Accounting Section to analyze the over provision of depreciation on the Office Equipment account and make the necessary adjustments in the books to reflect the accurate balance thereof.

The other significant audit observations and recommendations that need immediate action are as follows:

3. Payment of Occasional Utilization Fee to a Satellite Company amounting to US$49,000 or P2.573 million without a written contract was contrary to Section 4 of Presidential Decree (PD) No. 1445. Likewise, said procurement did not undergo procurement process contrary to Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

3.1 We reiterated our prior year's audit recommendations and Management agreed to:

   a. Strictly comply with the provisions of Section 4 of PD No 1445, that all claims against government funds shall be supported with complete documentation;

   b. Hold liable the officers who allowed the payment of Occasional Utilization Fee to the Satellite Company despite the absence of a written contract; and

c. Ensure that all procurements must undergo procurement process in accordance with RA No. 9184 and its RIRR.

4. The Network procured Information and Communication Technology (ICT) equipment amounting to P232.974 million for CY 2019 without securing an approved/endorsed Information Systems Strategic Plan (ISSP) from the Department of Information and Communications Technology (DICT), contrary to Section 25 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2019 and Condition No. 5 of the Department of Budget and Management (DBM)-approved Corporate Operating Budget (COB) of PTNI for FY 2019.

4.1 We recommended and Management agreed to:

a. Require the concerned Division to submit to the Audit Team the DICT-approved ISSP for CY 2019, as a requirement for the procurement of ICT, or submit proof showing that PTNI is exempted from the submission thereof; otherwise, a Notice of Suspension (NS) will be issued.

b. Comply strictly with the pertinent provisions of the GAA and the conditions set-forth in the DBM-approved COB of the Network.

5. The legality, validity and propriety of the payments for the salaries of the contractual and contract of service (COS) personnel of PTNI in the total amount of P125.406 million for the period January 2019 to December 2019 could not be ascertained due to non-submission of the documentary requirements, such as, approved Daily Time Records (DTRs) and Contracts of Service, as required under Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.

5.1 We recommended and Management agreed to:

a. Submit all the Contracts of Service to the Office of the Auditor within five (5) working days from the date of execution thereof, as required under COA Circular No. 2009-001 dated February 12, 2009; and

b. Submit all DTRs duly approved by the concerned supervisors.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on September 11, 2020 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

CLEOTILDE M. TUAZON
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library
The COA Central Library

Annex A

Name of the Agency and Address

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 20 __
As of ____ ______.______

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

__________________________________ ____________________
Name and Position of Agency Officer Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed.
This template shall be used for Current Year's audit recommendations and Prior Years' recommendations as contained in the Parts II and III, respectively, of the Annual Audit Report.

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

September 22, 2020

RECEIVED
BY: Chay
DATE: 9/22/2020
TIME: 1:23pm
OFFICE OF THE GENERAL MANAGER
PEOPLE'S TELEVISION NETWORK

THE BOARD OF DIRECTORS
People's Television Network, Inc. (PTNI)
Broadcast Complex, Visayas Avenue,
Diliman, Quezon City

Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **People's Television Network, Inc. (PTNI)**, for the years ended December 31, 2019 and 2018.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PTNI for the years ended December 31, 2019 and 2018 in view of the following:

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account totaling P136.275 million as of December 31, 2019 was not established due to total net variance of P17.892 million in the Cash in Bank account between the balances per books of P134.745 million and the confirmed bank balances totaling P152.637 million which remained unadjusted, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. Likewise, the unclaimed checks at year-end totaling P4.785 million were not reverted back to the Cash in Bank account, thereby understating the said account and the Accounts Payable account by same amount.

2. The faithful representation in the financial statements of the Property, Plant and Equipment (PPE) account with carrying amount of P2.063 billion as at December 31, 2019 was not established due to: (a) the non-completion of the physical inventory taking; and (b) variances totaling P579.861 million between the

balances per Accounting records and the Report on the Physical Count of PPE (RPCPPE), contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Further, there was an over provision of depreciation on Office Equipment account amounting to P15.006 million, resulting in the overstatement of Depreciation Expense account and affected other related accounts

For the afore-cited observations, which caused the issuance of a qualified opinion, we recommended that Management:

1.1 Require the Finance Department to: (a) exert all efforts to determine the causes of the remaining unidentified variances, review/analyze the reconciling items, and effect necessary adjustments in the books for fair presentation of the Cash in Bank account in the financial statements; and (b) effect necessary adjusting entries to restore/revert back to the Cash-in-Bank account the unclaimed checks at year-end totaling P4.785 million.

2.1 Ensure that the conduct of the annual physical inventory taking of PPEs is completed, a corresponding RPCPPE is prepared and a copy of which is submitted to the Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980.

2.2 Instruct the Accounting and Property Sections to determine the causes of the variances noted between the books and the RPCPPE and effect necessary adjustments/corrections on the affected records.

2.3 Instruct the Accounting Section to analyze the over provision of depreciation on the Office Equipment account and make the necessary adjustments in the books to reflect the accurate balance thereof.

The other significant audit observations and recommendations that need immediate action are as follows:

3. Payment of Occasional Utilization Fee to a Satellite Company amounting to US$49,000 or P2.573 million without a written contract was contrary to Section 4 of Presidential Decree (PD) No. 1445. Likewise, said procurement did not undergo procurement process contrary to Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

3.1 We reiterated our prior year's audit recommendations and Management agreed to:

   a. Strictly comply with the provisions of Section 4 of PD No 1445, that all claims against government funds shall be supported with complete documentation;

   b. Hold liable the officers who allowed the payment of Occasional Utilization Fee to the Satellite Company despite the absence of a written contract; and

c. Ensure that all procurements must undergo procurement process in accordance with RA No. 9184 and its RIRR.

4. The Network procured Information and Communication Technology (ICT) equipment amounting to P232.974 million for CY 2019 without securing an approved/endorsed Information Systems Strategic Plan (ISSP) from the Department of Information and Communications Technology (DICT), contrary to Section 25 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2019 and Condition No. 5 of the Department of Budget and Management (DBM)-approved Corporate Operating Budget (COB) of PTNI for FY 2019.

4.1 We recommended and Management agreed to:

a. Require the concerned Division to submit to the Audit Team the DICT-approved ISSP for CY 2019, as a requirement for the procurement of ICT, or submit proof showing that PTNI is exempted from the submission thereof; otherwise, a Notice of Suspension (NS) will be issued.

b. Comply strictly with the pertinent provisions of the GAA and the conditions set-forth in the DBM-approved COB of the Network.

5. The legality, validity and propriety of the payments for the salaries of the contractual and contract of service (COS) personnel of PTNI in the total amount of P125.406 million for the period January 2019 to December 2019 could not be ascertained due to non-submission of the documentary requirements, such as, approved Daily Time Records (DTRs) and Contracts of Service, as required under Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.

5.1 We recommended and Management agreed to:

a. Submit all the Contracts of Service to the Office of the Auditor within five (5) working days from the date of execution thereof, as required under COA Circular No. 2009-001 dated February 12, 2009; and

b. Submit all DTRs duly approved by the concerned supervisors.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on September 11, 2020 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we request the Network General Manager of PTNI to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of this report.

Very truly yours,

COMMISSION ON AUDIT

By:

CLEOTILDE M. TUAZON
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PEOPLE'S TELEVISION NETWORK, INC.

For the Years Ended December 31, 2019 and 2018

EXECUTIVE SUMMARY

INTRODUCTION

The People's Television Network, Inc. (PTNI), a corporate body engaged in television broadcasting in the Philippines, came into existence by virtue of Republic Act (RA) No. 7306 dated March 26, 1992. Its Charter was subsequently amended by RA No. 10390 which was approved by the President on March 14, 2013.

The PTNI provides broadcast support to the government through a balanced programming of high quality news, public affairs, entertainment, educational, cultural and sports programming, and responding to information needs utilizing its modern broadcast technology. The Network is governed by a Board of Directors, who serve as its policy making body. Its members are appointed by the President of the Philippines and composed of the following:

a. Two members from the Government sector;
b. Two members from the private sector, one of whom shall have at least ten years of experience in the broadcast industry; and
c. One member from the education sector.

In 2019, the PTNI administration is headed by its Network Officer-in-Charge, Ms. Julieta C. Lacza, who was appointed on January 17, 2019.

As of December 31, 2019, the Board of Directors comprised of Mr. Julio Onia Castillo Jr. (Chairperson), Ms. Maria Fe Pili Alino (Vice-Chairperson) and Mr. Ben-Hur Banaag Baniqued (Acting Member).

The PTNI has sixteen (16) Operational Analog Transmitting Stations on air as follows: PTV-8 Baguio, PTV-4 Palawan, PTV-11 Cebu, PTV-2 Guimaras, PTV-4 Naga, PTV-8 Legaspi, PTV-7 Zamboanga, PTV-48 Davao de Norte, PTV-10 Dumaguete, PTV-8 Tacloban, PTV-12 Calbayog, PTV-8, Agusan del Sur, PTV-8 Kidapawan, PTV-11 Davao, PTV-8 Cotabato, and PTV-11 Sibugay.

Further, the following PTV stations are operating on a digital test broadcast stations and fully Operational Regional News Centers as of December 31, 2019: PTV-4 Manila, PTV-8 Baguio and PTV-11 Davao.

As of December 31, 2019, the Network had a total work force of 619 personnel consisting of the following:

Nature of Appointment	No. of Personnel
Permanent	157
Contractual	7
Contract of Service (Talents)	455
	619

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2019	2018	Increase (Decrease)
Assets	2,852,801,951	2,653,019,898	199,782,053
Liabilities	584,634,634	599,903,270	(15,268,636)
Net assets/equity	**2,268,167,317**	**2,053,116,628**	**215,050,689**

II. Comparative Financial Performance

	2019	2018	Increase (Decrease)
Revenue	212,574,784	198,379,741	14,195,043
Subsidy	385,891,898	262,704,671	123,187,227
Current operating expenses	415,674,586	337,777,769	77,896,817
Non operating income	781,550	392,719	388,831
Gains and (losses)	350,119	122,532	227,587
Net surplus	**183,923,765**	**123,821,894**	**60,101,871**

III. 2019 Budget and Actual Amounts on Comparable Basis

	Approved COB	Actual	Difference Final budget vs Actual
Receipts	1,181,942,400	598,466,682	583,475,718
Payments:			
Personnel services	253,292,000	90,558,135	162,733,865
Maintenance and other operating expenses	256,420,000	219,799,223	36,620,777
Capital outlay	306,108,000	105,317,230	200,790,770
Total payments	815,820,000	415,674,588	400,145,412
Net Receipts/(Payments)	**366,122,400**	**182,792,094**	**183,330,306**

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of PTNI for Calendar Year (CY) 2019 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). It was also aimed at expressing an opinion as to whether the financial statements present fairly the PTNI's financial position, results of operations and cash flows, and at determining the Agency's compliance with pertinent laws, rules and regulations.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the PTNI for the years 2019 and 2018 due to:

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account totaling P136.275 million as of December 31, 2019 was not established due to total net variance of P17.892 million in the Cash in Bank account between the balances per books of P134.745 million and the confirmed bank balances totaling P152.637 million which remained unadjusted, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. Likewise, the unclaimed checks at year-end totaling P4.785 million were not reverted back to the Cash in Bank account, thereby understating the said account and the Accounts Payable account by same amount.

2. The faithful representation in the financial statements of the Property, Plant and Equipment (PPE) account with carrying amount of P2.063 billion as at December 31, 2019 was not established due to: (a) the non-completion of the physical inventory taking; and (b) variances totaling P579.861 million between the balances per Accounting records and the Report on the Physical Count of PPE (RPCPPE), contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Further, there was an over provision of depreciation on Office Equipment account amounting to P15.006 million, resulting in the overstatement of Depreciation Expense account and affected other related accounts

For the afore-cited observations, which caused the issuance of a qualified opinion, we recommended that Management:

1.1 Require the Finance Department to: (a) exert all efforts to determine the causes of the remaining unidentified variances, review/analyze the reconciling items, and effect necessary adjustments in the books for fair presentation of the Cash in Bank account in the financial statements; and (b) effect necessary adjusting entries to restore/revert back to the Cash-in-Bank account the unclaimed checks at year-end totaling P4.785 million.

2.1 Ensure that the conduct of the annual physical inventory taking of PPEs is completed, a corresponding RPCPPE is prepared and a copy of which is submitted to the Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980.

2.2 Instruct the Accounting and Property Sections to determine the causes of the variances noted between the books and the RPCPPE and effect necessary adjustments/corrections on the affected records.

2.3 Instruct the Accounting Section to analyze the over provision of depreciation on the Office Equipment account and make the necessary adjustments in the books to reflect the accurate balance thereof.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The other significant audit observations and recommendations that need immediate action are as follows:

3. Payment of Occasional Utilization Fee to a Satellite Company amounting to US$49,000 or P2.573 million without a written contract was contrary to Section 4 of Presidential Decree (PD) No. 1445. Likewise, said procurement did not undergo procurement process contrary to Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

3.1 We reiterated our prior year's audit recommendations and Management agreed to:

   a. Strictly comply with the provisions of Section 4 of PD No 1445, that all claims against government funds shall be supported with complete documentation;

   b. Hold liable the officers who allowed the payment of Occasional Utilization Fee to the Satellite Company despite the absence of a written contract; and

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   a. Require the concerned Division to submit to the Audit Team the DICT-approved ISSP for CY 2019, as a requirement for the procurement of ICT, or submit proof showing that PTNI is exempted from the submission thereof; otherwise, a Notice of Suspension (NS) will be issued.

   b. Comply strictly with the pertinent provisions of the GAA and the conditions set-forth in the DBM-approved COB of the Network.

5. The legality, validity and propriety of the payments for the salaries of the contractual and contract of service (COS) personnel of PTNI in the total amount of P125.406 million for the period January 2019 to December 2019 could not be ascertained due to non-submission of the documentary requirements, such as, approved Daily Time Records (DTRs) and Contracts of Service, as required under Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.

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a. Submit all the Contracts of Service to the Office of the Auditor within five (5) working days from the date of execution thereof, as required under COA Circular No. 2009-001 dated February 12, 2009; and

b. Submit all DTRs duly approved by the concerned supervisors.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, CHARGES AND DISALLOWANCES

Based on the Statement of Audit Suspensions, Disallowances and Charges (SASDC) issued as of December 31, 2019, the unsettled audit disallowances amounted to P96.568 million, of which P285,904 was already covered by a Notice of Finality of Decision (NFD), P96.252 million are on appeal, P30,000 for salary deduction and P500 was uncollected disallowance from a deceased employee. The unsettled audit suspensions as of December 31, 2019 amounted to P63.285 million. Details are shown Table 23, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 39 audit recommendations embodied in the previous year's Annual Audit Report (AAR), five (5) were fully implemented, 23 were partially implemented and 11 were not implemented. Details are presented in Part III of this Report.

TABLE OF CONTENTS

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
People's Television Network, Inc.
Broadcast Complex, Visayas Avenue
Diliman, Quezon City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the **People's Television Network, Inc. (PTNI)**, 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 the financial statements, including a summary of significant accounting policies.

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

Bases for Qualified Opinion

The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account totaling P136.275 million as of December 31, 2019 was not established due to total net variance of P17.892 million in the Cash in Bank account between the balances per books of P134.745 million and the confirmed bank balances totaling P152.637 million which remained unadjusted, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1. Likewise, the unclaimed checks at year-end totaling P4.785 million were not reverted back to the Cash in Bank account, thereby understating the said account and the Accounts Payable account by same amount.

Moreover, the faithful representation in the financial statements of the Property, Plant and Equipment (PPE) account with carrying amount of P2.063 billion as at December 31, 2019 was not established due to: (a) the non-completion of the physical inventory taking; and (b) variances totaling P579.861 million between the balances per Accounting records and the Report on the Physical Count of PPE, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Further, there was an over provision of depreciation on Office Equipment account amounting to

P15.006 million, resulting in the overstatement of Depreciation Expense account and affected other related accounts.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 PTNI 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 8 to financial statements disclosing, that the PTNI received various technical equipment amounting to approximately US$4 million from the Ministry of Internal Affairs and Communications of Japan in 2010 as part of the latter's objective to promote Japanese Digital Terrestrial Broadcasting standards in the Philippines. These remained unrecorded in the books pending completion of required documents. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, 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 PTNI'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 the PTNI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PTNI'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 ISSAIs will always detect a material misstatement when it exists. Misstatement 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 ISSAIs, 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 PTNI'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 PTNI'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 disclosures 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 PTNI 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 the significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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 Bureau of Internal Revenue as disclosed in Note 28 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT

CELIA A. PORTUGALETE
OIC - Supervising Auditor
Audit Group G – Development, Media and Other Agencies
Cluster 6-Social, Cultural, Trading, Promotional and Other Services
Corporate Government Sector

September 11, 2020

PEOPLE'S TELEVISION
PARA SA BAYAN
People's Television Network, Inc Broadcast Complex, Visayas Avenue, Diliman, Quezon City 1100 Telephone No. 455-1326/455-4386/www.ptv.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the People's Television Network, Inc. (PTNI) is responsible for the preparation of the financial statements as at December 31, 2019 and 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the People's Television Network, Inc. (PTNI) in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

MS. MARIA FE P. ALIÑO
Chairman of the Board
Date: September 11, 2020

MS. MONETTA S. NIGOS
Officer-In-Charge, Finance Division
Date: September 11, 2020

MS. KATHERINE CHLOE S. DE CASTRO
Network General Manager
Date: September 11, 2020

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	5	136,274,520	196,697,688
Receivables	6	122,165,901	71,566,139
Inventories	7	2,796,351	2,976,351
Other current assets	10	397,520,463	392,677,824
Total current assets		**658,757,235**	**663,918,002**
Non-current assets			
Receivables	6	122,525,197	122,526,522
Property, plant and equipment	8	2,063,004,322	1,858,673,435
Intangible assets	9	6,419,772	6,300,643
Other non-current assets	10	2,095,425	1,601,296
Total non-current assets		**2,194,044,716**	**1,989,101,896**
TOTAL ASSETS		**2,852,801,951**	**2,653,019,898**
LIABILITIES			
Current liabilities			
Financial liabilities	11	16,213,400	70,603,417
Inter-agency payables	12	(18,525,880)	10,861,523
Trust liabilities	13	29,911,792	5,113,628
Deferred credits/unearned income	14	37,478,659	4,533,327
Total current liabilities		**65,077,971**	**91,111,895**
Non-current liabilities			
Financial liabilities	11	7,584,975	106,083
Inter-agency payables	12	374,291,213	370,969,915
Trust liabilities	13	58,216,999	58,216,999
Deferred credits/unearned income	14	74,212,792	74,212,792
Other payables	15	5,250,684	5,285,586
Total non-current liabilities		**519,556,663**	**508,791,375**
TOTAL LIABILITIES		**584,634,634**	**599,903,270**
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		**2,268,167,317**	**2,053,116,628**
NET ASSETS/EQUITY			
Accumulated surplus/(deficit)	26	1,268,167,317	1,053,116,628
Government equity	25	1,000,000,000	1,000,000,000
TOTAL NET ASSETS/EQUITY		**2,268,167,317**	**2,053,116,628**

The notes on pages 10 to 43 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
REVENUE			
Service and business income	16	212,574,784	198,379,741
TOTAL REVENUE		**212,574,784**	**198,379,741**
CURRENT OPERATING EXPENSES			
Personnel services	17	90,558,133	87,471,967
Maintenance and other operating expenses	18	219,799,223	194,799,218
Financial expenses	19	157,577	696,386
Non-cash expenses	20	105,159,653	54,810,198
TOTAL CURRENT OPERATING EXPENSES		**415,674,586**	**337,777,769**
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		**(203,099,802)**	**(139,398,028)**
Other non-operating income	21.1	781,550	392,719
Gains	21.2	581,342	162,194
Losses	21.3	(231,223)	(39,662)
SURPLUS/(DEFICIT) BEFORE SUBSIDY		**(201,968,133)**	**(138,882,777)**
Assistance and subsidy from national government	22	385,891,898	262,704,671
NET SURPLUS/ (DEFICIT) FOR THE PERIOD		**183,923,765**	**123,821,894**

The notes on pages 10 to 43 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Accumulated Surplus/(Deficit) Note 26	Government Equity Note 25	Total
BALANCE AT JANUARY 1, 2018	**876,071,749**	**1,000,000,000**	**1,876,071,749**
Changes in Net Assets/Equity for CY 2018			
Add/(deduct):			
Surplus for the period	123,821,894	-	123,821,894
Other adjustments	53,222,985	-	53,222,985
BALANCE AT DECEMBER 31, 2018	**1,053,116,628**	**1,000,000,000**	**2,053,116,628**
Changes in Net Assets/Equity for CY 2019			
Add/(deduct):			
Surplus for the period	183,923,765	-	183,923,765
Other adjustments	31,126,924	-	31,126,924
BALANCE AT DECEMBER 31, 2019	**1,268,167,317**	**1,000,000,000**	**2,268,167,317**

The notes on pages 10 to 43 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of revenue		227,093,451	233,854,487
Receipt of assistance/subsidy		385,891,898	262,704,671
Collection of receivables		3,786,255	435,740
Other receipts		6,360,440	4,803,849
Total cash inflows		**623,132,044**	**501,798,747**
Adjustments		3,905,192	5,012,541
Adjusted cash inflows		**627,037,236**	**506,811,288**
Cash outflows			
Payment of expenses		266,241,081	256,490,739
Payment of inventories		1,648,467	1,144,100
Grant of cash advances		24,219,389	19,028,813
Prepayments		14,488,098	3,365,666
Payment of accounts payable		21,448,920	13,812,818
Remittance of personnel benefit contributions		34,138,348	73,858,537
Other disbursements		3,864,136	18,388,077
Total cash outflows		**366,048,439**	**386,088,750**
Adjustments		1,412,520	2,346,579
Adjusted cash outflows		**367,460,959**	**388,435,329**
Net cash provided by (used in) operating activities		**259,576,277**	**118,375,959**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash outflow			
Purchase/construction of property, plant and equipment		272,424,809	272,324,799
Total cash outflows		**272,424,809**	**272,324,799**
Adjustments		47,574,636	(49,084,843)
Adjusted cash outflows		**319,999,445**	**223,239,956**
Net cash provided by (used in) investing activities		**(319,999,445)**	**(223,239,956)**
Net increase (decrease) in cash and cash equivalents		**(60,423,168)**	**(104,863,997)**
Effects of exchange rate changes		-	-
Cash and cash equivalents, January 1		**196,697,688**	**301,561,685**
Cash and cash equivalents, December 31	5	**136,274,520**	**196,697,688**

The notes on pages 10 to 43 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2019
(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
	Note 27			
RECEIPTS				
Service and business income	455,621,400	455,621,400	212,574,784	243,046,616
Assistance and subsidy	726,321,000	726,321,000	385,891,898	340,429,102
Total receipts	**1,181,942,400**	**1,181,942,400**	**598,466,682**	**583,475,718**
PAYMENTS				
Personnel services	276,265,180	253,292,000	90,558,135	162,733,865
Maintenance & other operating expenses	344,454,404	256,420,000	219,799,223	36,620,777
Capital outlay	447,941,000	306,108,000	105,317,230	200,790,770
Total payments	**1,068,660,584**	**815,820,000**	**415,674,588**	**400,145,412**
NET RECEIPTS/(PAYMENTS)	**113,281,816**	**366,122,400**	**182,792,094**	**183,330,306**

The notes on pages 10 to 43 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
(*All amounts in Philippine Peso, unless otherwise stated*)

1. GENERAL INFORMATION

The People's Television Network, Incorporated (PTNI), located at the Broadcast Complex, Visayas Avenue, Diliman, Quezon City, is a government-owned and controlled corporation (GOCC), created by virtue of Republic Act (RA) No. 7306 dated March 26, 1992.

On March 14, 2013, RA No. 10390 entitled, "An Act Revitalizing the People's Television Network, Incorporated", was approved by the President amending RA No. 7306.

The new charter increases the authorized capital stock of the Network to P6 billion. Of the additional authorized capital of P5 billion, P2 billion shall be taken from the proceeds of the privatization of Radio Philippines Network (RPN 9) and Intercontinental Broadcasting Corporation (IBC 13). The remaining P3 billion shall be appropriated under the General Appropriations Act.

PTNI provides broadcast support to the government through a balanced programming of high quality news, public affairs, entertainment, educational, cultural and sports and by responding to information needs utilizing its modern broadcast technology. Its mission is to deliver news and information that leads to a responsible and enlightened Filipino. As provided in its Charter, PTNI has the following functions:

a. To serve primarily as a vehicle for the State for purposes of education, science and technology, arts, culture, and sports in order to foster national pride and identity;

b. To serve as a vehicle for bringing the Government closer to the people in order to enhance their awareness of the programs, policies, thrusts, and directions of the Government;

c. To ensure that the programs broadcast by the Network maintain a high general standard in all respects, and in particular, in respect to their content and quality and proper balance of educational, news, public affairs, entertainment, and sports programs;

d. To serve as an effective outlet for alternative programming;

e. To provide subsidized air time to legitimate people's organizations and non-governmental organizations (NGOs) in the promotion of their programs and projects;

f. To serve as an effective medium for national unity and political stability by reaching as much of the Filipino population as possible through the effective use of modern broadcasting technology; and

g. To ensure that nothing is included in the programs broadcast by the Network which shall:

  i. offend public morals, good taste, or decency;

  ii. offend any racial group or promote ill-will between different races or different groups, prescribing such programs as would promote strictly partisan policies and propaganda;

  iii. offend the followers of any religious faith, sect, or order; or

  iv. outrage public feeling in general.

The Network is governed by a Board of Directors whose members are appointed by the President of the Philippines.

PTNI operates under the control and supervision of the Presidential Communications Operations Office (PCOO) in accordance with Section 4 of Executive Order (EO) No. 4 dated July 30, 2010.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs), formerly Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the Commission on Audit (COA) under COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-01 dated January 9, 2020.

PTNI's first financial statements in accordance with IPSASs and IPSAS 33 *First-time Adoption of Accrual Basis* were prepared in Calendar (CY) 2018. The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared under the historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso, the PTNI's functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The PTNI's financial statements are prepared on an accrual basis in accordance with the IPSASs.

3.2 *Financial Instruments*

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 29 *Financial Instruments*: *Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The PTNI determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the PTNI commits to purchase or sell the asset.

The PTNI's financial assets include: cash and cash equivalents, loans and other receivables.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

iii. Derecognition

The PTNI derecognizes a financial asset or where applicable, a part of a financial asset or part of PTNI of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and

2. the PTNI has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:

   - transferred substantially all the risks and rewards of ownership of the financial asset; or

   - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

iv. Impairment of financial assets

The PTNI assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty

2. Default or delinquency in interest or principal payments

3. The probability that debtors will enter bankruptcy or other financial reorganization

4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the PTNI first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the PTNI determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to PTNI. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The PTNI's financial liabilities include payables to supplier, employees and other contractors, inter-agency payables, and trust liabilities.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit.

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

2. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

3.4 *Inventories*

Inventory is measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the PTNI.

3.5 *Investment Property*

Investment property are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life.

Investment property are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

The PTNI uses the following criteria to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations (inventory):

> A property (land or a building – or part of a building – or both) shall be recorded and classified as Investment Property if it is held to earn rentals or for capital appreciation, or both rather than for:

i. use in the production or supply of goods or services, or for administrative purposes; or

ii. sale in the ordinary course of operations

3.6 *Property, Plant and Equipment (PPE)*

a. Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

i. tangible items;

ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;

ii. the cost or fair value of the item can be measured reliably; and

iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

ii. Expenditure that is directly attributable to the acquisition of the items; and

iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the PTNI recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

ii. Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for PTNI's operation.

iii. Estimated useful life

The PTNI uses the schedule on the estimated useful life of PPE by classification prepared by the COA in determining the specific estimated useful life for each asset based on its experience.

iv. Residual value

The PTNI uses a residual value equivalent to at least five per cent (5%) of the cost of the PPE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

The PTNI derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.7 *Intangible Assets*

a. Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in IPSAS 5, *Borrowing Costs*.

b. Subsequent expenditure on an acquired in-process research and development project

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

i. recognized as an expense when incurred if it is research expenditure;

ii. recognized as an expense when incurred if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset; and

iii. added to the carrying amount of the acquired in-process research or development project if it is a development expenditure that satisfies the recognition criteria for intangible assets.

c. Intangible assets acquired through non-exchange transactions

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these are acquired.

d. Internally generated intangible assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

e. Recognition of an expense

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible assets that meets the recognition criteria of an intangible asset.

f. Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life is not to be amortized.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

3.8 *Changes in Accounting Policies and Estimates*

The PTNI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The PTNI recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The PTNI corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or

b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 *Foreign Currency Transactions*

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.10 *Revenue from Non-exchange Transactions*

a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and

ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As PTNI satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of liabilities on initial recognition from non-exchange transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Gifts and donations

The PTNI recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

f. Transfers

The PTNI recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

g. Services in-kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

h. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the PTNI and can be measured reliably.

3.11 *Revenue from Exchange Transactions*

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

The PTNI recognizes revenue from Programs and Commercial Spots aired and billed to the clients. Sales Revenue is taken up net of the 15 per cent agency commission for Agency Accounts.

Production of In House Programs is stated at cost which includes supplies and materials, talent, fees and other overhead expenses. These production expenses are reflected under Maintenance and Other Operating Expenses.

c. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

3.12 *Budget Information*

The annual budget is prepared on a cash basis and is published in the government website. A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

3.13 *Related Parties*

The PTNI regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the PTNI, or vice versa. Members of key management are regarded as related parties.

3.14 *Employee Benefits*

The employees of PTNI are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The PTNI recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.15 *Measurement Uncertainty*

The preparation of financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, impairment of assets, etc.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The PTNI is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest/Market risks
- Operational risk

This note presents information about the PTNI's exposure to each of the above risks, the PTNI objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

4.1 Risk Management Framework

The Management Committee of the PTNI has overall responsibility for the establishment and oversight of PTNI's risk management framework. The committee has established PTNI's assets, liabilities, credit and operational risk committees, which are responsible for developing and monitoring PTNI's risk management policies in their specific areas.

All management committees have executive and non-executive members and report regularly to the Network General Manager of the PTNI on their activities.

The PTNI's risk management policies are established to identify and analyse the risks faced by the PTNI, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions, products and services offered. The PTNI, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The PTNI's audit committee is responsible for ensuring the agency assets are properly safeguarded; shall assess the reliability and integrity of financial information, deter and investigate fraud, verify compliance with established policies, laws and regulations; and recommend improvements relating to efficiency, economy and effectiveness in the use of the PTNI's assets.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the Statements of Financial Position, as summarized in the following tables:

	Note	2019	2018
Financial assets			
Cash and cash equivalents	*5*	136,274,520	196,697,688
Receivables	*6*	244,691,098	194,092,661
		380,965,618	**390,790,349**
Financial liabilities			
Financial liabilities	*11*	23,798,375	70,709,500
Inter-agency payables	*12*	355,765,333	381,831,438
Trust liabilities	*13*	88,128,791	63,330,627
		467,692,499	**515,871,565**

4.2 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the PTNI. The PTNI has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The PTNI defines counterparties as having similar characteristics if they are related entities.

On-going credit evaluation is performed on the financial condition of loans and other receivable and, where appropriate, obtaining additional collateral is requested to cover the loans.

Also, the PTNI manages its credit risk by depositing its cash with the Land Bank of the Philippines (LBP), an authorized government depository bank.

The carrying amount of financial assets recognized in the financial statements represents the PTNI's maximum exposure to credit risk.

a. <u>Credit risk exposure</u>

The table below shows the gross maximum exposure to credit risk of the PTNI as of the years ended December 31, 2019 and 2018, without considering the effects of credit risk mitigation techniques.

	Note	2019	2018
Financial assets			
Cash and cash equivalents	*5*	136,274,520	196,697,688
Receivables	*6*	843,561,042	757,157,730
		979,835,562	**953,855,418**

*Receivables at gross of allowance for impairment amounting to P598,869,944 and P563,065,069 for the years ended December 31, 2019 and 2018, respectively.

b. Management of credit risk

The management of credit risk is covered by the Risk Management Committee. The Finance Division of the Agency is in charge of controlling, monitoring and collecting payments of all its receivables due from employees, tenants and clientele. Receivables from employees consist of overpayment of salaries due to leave without pay, excess usage of airtime charges over the set limit, personal calls, etc. and are collected thru payroll deductions. Status of outstanding receivables is summarized monthly in a schedule and is submitted together with the financial reports to the COA. Should there be no payments received, the Finance Division follows up either thru phone call or write demand letters for collection until settled. Other concerns or issues, if any, are referred to the Legal Department or Audit Committee for appropriate action.

c. Aging analysis

An aging analysis of the PTNI's receivables as of the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Outstanding receivables:*		
Current accounts	35,830,647	8,816,082
Past due accounts:		
1 – 30 days past due	14,842,100	4,650,252
31 – 60 days past due	22,438,124	5,742,841
61 – 90 days past due	3,571,020	3,511,967
over 90 days past due	168,009,207	171,371,519
	244,691,098	**194,092,661**

d. Impairment assessment

The PTNI recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the PTNI in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the PTNI assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the PTNI when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

4.3 Liquidity Risk

Liquidity risk is the risk that the PTNI might encounter difficulty in meeting obligations from its financial liabilities.

a. <u>Management of liquidity risk</u>

The PTNI's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the PTNI's reputation.

The PTNI maintains a portfolio of short-term liquid assets, largely made up of cash in banks to ensure that sufficient liquidity is maintained within the PTNI as a whole.

b. <u>Exposure to liquidity risk</u>

The liquidity risk is the adverse situation when the PTNI encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of PTNI.

The liquidity management policy of the PTNI is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. The PTNI's funding requirements are generally met through any or a combination of financial modes allowed by law that would give the most advantageous results.

The table below summarizes the maturity profile of the PTNI's financial liabilities as at December 31, 2019.

As at December 31, 2019	Within 1 Year	1 – 5 Years	Over 5 Years	Total

Financial liabilities	22,953,490	747,623	97,262	23,798,375
Inter-agency payables	16,387,215	1,050,366	338,327,752	355,765,333
Trust liabilities	24,798,164	40,926,157	22,404,470	88,128,791
	64,138,869	**42,724,146**	**360,829,484**	**467,692,499**

4.4 Market Risks

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the PTNI's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the PTNI's financial assets and liabilities to various standard and non-standard interest rate scenarios.

4.5 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the PTNI's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the PTNI's operations and are faced by all business entities.

The PTNI's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the PTNI's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transaction
- Requirement for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risk faced, and the adequacy of control and procedures to address the risk identified

- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018
Cash on hand	1,529,901	2,822,977
	1,529,901	2,822,977
Cash in bank		
Local currency	129,326,299	186,401,975
Foreign currency	5,418,320	7,472,736
	134,744,619	193,874,711
	136,274,520	**196,697,688**

5.1 Cash on Hand

Cash on hand consists of Cash-Collecting Officer account representing collections during the last working day of the year after banking hours and Petty Cash Fund account of the Network's Disbursing Officer. This was immediately deposited to the peso account of PTNI Land Bank of the Philippines (LBP) – Elliptical Road Branch on the first working day of January 2020.

5.2 Cash in Bank

	2019	2018
Current account - local currency	125,587,995	182,663,671
Savings account - local currency	3,738,304	3,738,304
	129,326,299	186,401,975
Current account - foreign currency	905,886	2,960,302
Savings account - foreign currency	4,512,434	4,512,434
	5,418,320	7,472,736
	134,744,619	**193,874,711**

The current account (local currency) consists of General Fund for personnel services, maintenance and other operating expenses, and financial expenses – P104.273 million; and Equity Fund for capital outlay – P21.315 million. This is non-interest bearing depository account in Land Bank of the Philippines, Elliptical Road Branch.

6. RECEIVABLES

This account consists of the following:

	2019			2018		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Loans and receivable accounts-net	115,379,119	10,923,983	126,303,102	55,195,247	10,923,983	66,119,230
Other receivables	6,786,782	111,601,214	118,387,996	16,370,892	111,602,539	127,973,431
	122,165,901	**122,525,197**	**244,691,098**	**71,566,139**	**122,526,522**	**194,092,661**

6.1 Loans and Receivable Accounts

	2019			2018		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Accounts receivable	165,717,768	546,199,137	711,916,905	82,985,162	546,199,137	629,184,299
Allowance for impairment – accounts receivable	(50,338,649)	(535,275,154)	(585,613,803)	(27,789,915)	(535,275,154)	(563,065,069)
	115,379,119	**10,923,983**	**126,303,102**	**55,195,247**	**10,923,983**	**66,119,230**

6.2 Other Receivables

	2019			2018		
	Current	**Non-current**	**Total**	**Current**	**Non-Current**	**Total**
Receivables – disallowances/ charges	-	68,464,303	68,464,303	-	68,465,628	68,465,628
Due from officers and employees	6,136,958	-	6,136,958	2,887,318	-	2,887,318
Other receivables	13,905,965	43,136,911	57,042,876	13,483,574	43,136,911	56,620,485
Allowance for impairment – other receivable	(13,256,141)		(13,256,141)	-	-	-
	6,786,782	**111,601,214**	**118,387,996**	**16,370,892**	**111,602,539**	**127,973,431**

The receivables-disallowance/charges account with corresponding balance of P68.464 million refer to the contingent receivables for COA disallowances of various disbursements for the period 1992-1999. This was booked from September 2005 transaction and still subject for reconciliation.

Other receivables consist of long term receivables and advances uncollected from various clients. However, corresponding balance per books is still subject for reconciliation.

	2019	**2018**
Accounts receivable – co-production	36,068,672	36,068,672
Advances to PBA	5,369,206	5,369,206
Advances to SEA Games Gen Fund – Infra	522,999	522,999
Advances to SEA Games	359,546	359,546
Accounts receivable – NVMM	231,656	231,656
Accounts receivable – Visayan Electric	177,800	177,800
Accounts receivable – Thomson Broadcast	174,619	174,619
Accounts receivable – procurement service (DBM)	120,456	120,456
Accounts receivable – non-trade	111,957	111,957

	43,136,911	**43,136,911**

Due from Officers and Employees consists of receivable of the Agency from cash advances made in 2016 and prior years; overpayment by the Agency to the employees, cash shortages, loss of assets and other bills under accountability of employees of the Agency.

7. INVENTORIES

This account is composed of the following:

	2019		2018	
	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell	Inventories carried at lower of cost and net realizable value	Inventories carried at fair value less cost to sell
Other supplies and materials inventory				
Carrying amount, January 1	2,976,351	-	3,188,654	-
Additions/acquisitions during the year	20,000	-	200,000	-
Expensed during the year except write-down	(200,000)	-	(412,303)	-
Carrying amount, December 31	**2,796,351**	**-**	**2,976,351**	**-**

8. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land, building and structure, & construction in progress	Office/IT equipment, furniture and fixtures	Communication, other machinery and equipment, tools and motor vehicles	Other property, plant and equipment	Total
As at December 31, 2018					
Cost, as restated	1,204,369,952	78,992,058	1,444,915,737	161,479,500	2,889,757,247
Accumulated depreciation, as restated	(146,464,597)	(80,509,658)	(785,549,935)	(18,559,622)	(1,031,083,812)
Net book value, December 31, 2018	**1,057,905,355**	**(1,517,600)**	**659,365,802**	**142,919,878**	**1,858,673,435**
Opening book value, January 1, 2019	**1,204,369,952**	**78,992,058**	**1,444,915,737**	**161,479,500**	**2,889,757,247**
Additions/acquisitions	79,850,504	3,402,651	188,996,858	1,232,143	273,482,156
Adjustments:					
Cost	-	-	-	-	-
Accumulated depreciation	(146,464,597)	(80,448,246)	(785,398,388)	(18,559,622)	(1,030,870,853)
Accumulated impairment loss	-	-	(9,450)	-	(9,450)
Depreciation for the year	(8,811,826)	(4,722,549)	(55,820,403)	-	(69,354,778)

Closing net book value, December 31, 2019	**1,128,944,033**	**(2,776,086)**	**792,684,354**	**144,152,021**	**2,063,004,322**

As at December 31, 2019					
Cost	1,284,220,456	82,394,709	1,633,912,595	162,711,643	3,163,239,403
Accumulated depreciation	(155,276,423)	(85,170,795)	(841,218,791)	(18,559,622)	(1,100,225,631)
Accumulated impairment loss	-	-	(9,450)	-	(9,450)
Net book value, December 31, 2019	**1,128,944,033**	**(2,776,086)**	**792,684,354**	**144,152,021**	**2,063,004,322**

The Network received various technical equipment amounting to approximately $4 million from the Ministry of Internal Affairs and Communications of Japan in 2010 as part of the latter's objective to promote Japanese Digital Terrestrial Broadcasting standards in the Philippines. These remained unrecorded pending completion of required documents.

9. INTANGIBLE ASSETS

This composed of the following accounts:

	2019	2018
Development in progress	6,300,643	6,300,643
Computes software	108,000	-
Other intangible asset	11,129	-
	6,419,772	**6,300,643**

Development in progress refers to computer software of Management Information System/Enterprise Resource Planning (MIS/ERP) from e-Copy Corporation in the amount of P6.300 million.

10. OTHER ASSETS

This comprises the following accounts:

	2019			2018		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Advances	35,963,824	-	35,963,824	34,028,927	-	34,028,927
Prepayments	361,010,850	-	361,010,850	358,103,108	-	358,103,108
Deposits	15,789	-	15,789	15,789	-	15,789
Other assets	530,000	2,095,425	2,625,425	530,000	1,601,296	2,131,296
	397,520,463	**2,095,425**	**399,615,888**	**392,677,824**	**1,601,296**	**394,279,120**

10.1 Advances

Advances represent advances granted to officers and employees for payment of operating expense (advances for operating expenses); for special purpose/time-bound (advances to special disbursing officer); and for official travel (advances to officers and employees).

	2019	2018
Advances for operating expense	277,520	18,149
Advances to special disbursing officer	1,678,013	1,556,169
Advances to officers and employees	34,008,291	32,454,609
	35,963,824	**34,028,927**

Advances to officers and employees also consist of following:

- GSIS loans of employees paid by the Network through an exchange deal arrangement with the GSIS;
- Network loans to officers and employees (emergency loan); and
- Statement of Audit Suspensions, Disallowances and Charges (SASDC) – disallowances/suspensions of various disbursements.

	2019	2018
Advances to officers and employees	3,667,992	2,114,310
Advances to officers and employees-GSIS	29,264,039	29,264,039
Advances to officers and employees-SASDC	1,076,260	1,076,260
	34,008,291	**32,454,609**

10.2 Prepayments

Prepayments consists of the following account:

	2019	2018
Advances to contractors	37,372,459	53,278,417
Prepaid rent	123,899	378,021
Prepaid registration	-	67,585
Prepaid insurance	18,801	726,298
Input tax	187,172,112	236,383,999
Creditable input tax	86,763,960	20,752,161
Withholding tax at source	49,559,619	46,516,627
	361,010,850	**358,103,108**

10.3 Other assets

Other current assets refer to barter agreement with the People's Television Network, Inc. through Ovvio Media Incorporated. Other non-current assets refer to other deposits, gift certificates and gift cheques received in exchange as payment/barter liquidation from various clients.

11. FINANCIAL LIABILITIES

This account is composed of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	16,213,400	7,525,010	23,738,410	70,603,417	46,118	70,649,535

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Due to officers & employees	-	59,965	59,965	-	59,965	59,965
	16,213,400	**7,584,975**	**23,798,375**	**70,603,417**	**106,083**	**70,709,500**

This account represents unpaid obligations for delivered goods and services rendered by the suppliers and employees.

12. INTER-AGENCY PAYABLES

This account consists of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Due to BIR	5,165,495	173,657,666	178,823,161	6,298,753	173,657,665	179,956,418
Due to GSIS	(2,433,868)	9,304,924	6,871,056	1,561,822	5,983,627	7,545,449
Due to Pag-IBIG	465,949	19,249	485,198	205,236	19,249	224,485
Due to PhilHealth	580,301	6,544,520	7,124,821	133,738	6,544,520	6,678,258
Value added tax payable	(23,235,200)	178,077,716	154,842,516	1,730,531	178,077,716	179,808,247
Income tax payable	931,443	6,687,138	7,618,581	931,443	6,687,138	7,618,581
	(18,525,880)	**374,291,213**	**355,765,333**	**10,861,523**	**370,969,915**	**381,831,438**

Due to BIR refers to the Network's accumulated tax arrearages since 2003. This also consists of taxes withheld from employees' compensation, contractors and suppliers.

The Agency's accounts for the period 2003-2007, 2009-2010, 2012-2013 have been subjected to a compromise settlement with the BIR. The total amount as per BIR Final Assessment Notice is P656,744,539. Partial payments have been made by PTNI from November 2018 – June 2019 in the amount of P36,138,540.

Due to GSIS account has a negative balance and is subject to reconciliation. Previous year's transactions settled during the year were erroneously deducted from the current portion instead of the non-current.

The Network's remittances to PhilHealth for the current year are updated. However, the unpaid remittances for the years 2009-2011 have remained unsettled.

13. TRUST LIABILITIES

The composition of this account is as follows:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Trust liabilities	11,028,500	23,690,302	34,718,802	439,503	23,690,302	24,129,805
Guaranty deposit	18,883,292	34,526,697	53,409,989	4,674,125	34,526,697	39,200,822
	29,911,792	**58,216,999**	**88,128,791**	**5,113,628**	**58,216,999**	**63,330,627**

Trust liabilities pertain to funds received from various sources to cover the cost of production for TV programs/project utilization.

Guaranty/security deposits payable account pertains to retention fees to guarantee performance by the contractor of the terms of the contract.

14. DEFERRED CREDITS/UNEARNED INCOME

This account represents unearned income and comprised of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Deferred output tax	35,935,249	61,272,148	97,207,397	2,845,899	61,272,148	64,118,047
Unearned revenue/income	1,543,410	12,940,644	14,484,054	1,687,428	12,940,644	14,628,072
	37,478,659	**74,212,792**	**111,691,451**	**4,533,327**	**74,212,792**	**78,746,119**

Deferred output tax corresponds to the 12 per cent tax on sales billed as part of the trade receivables. Upon billing, these are recorded as deferred taxes and upon collection of the receivables, this account is debited and the proper liability account or the output tax account is the set up.

15. OTHER PAYABLES

Accrued blocktime payable pertains to balance of arrearages of GSIS premiums from July 2002 to December 2005 to be paid through airing of Media Value Package for GSIS covered by a Memorandum of Agreement between GSIS and the Network.

16. SERVICE AND BUSINESS INCOME

This line item consists of the following:

	2019	2018
Business income		
Sales revenue	206,502,690	192,708,831
Other business income	-	5,610,466
Service income		
Other service income	6,072,094	60,444
	212,574,784	**198,379,741**

16.1 Business Income

16.1.1 Sales revenue

	2019	2018
Airtime (cash)	46,100,365	71,932,627
Airtime (non cash)	1,359,375	3,992,857
Spots (cash)	1,480,338	19,016,150
Spots (non cash)	192,929	676,750

Government account	151,728,835	97,031,947
Facilities	5,640,848	58,500
	206,502,690	**192,708,831**

16.2 Service income

Other service income account represents the service rendered by the Agency on Bid Documents, ID's, Production of AVP's, Google Ads or Live Streaming Collection.

17. PERSONNEL SERVICES

This account is composed of the following:

	2019	2018
Salaries and wages	55,474,526	45,453,556
Other compensation	22,154,227	22,884,244
Personnel benefit contributions	7,565,334	8,298,270
Other personnel benefits	5,364,046	10,835,897
	90,558,133	**87,471,967**

17.1 Salaries and Wages

	2019	2018
Salaries and wages-regular	53,444,122	43,611,981
Salaries and wages-casual/contractual	2,030,404	1,841,575
	55,474,526	**45,453,556**

17.2 Other Compensation

	2019	2018
Personnel economic relief allowance (PERA)	3,900,636	3,916,000
Transportation allowance (TA)	500,500	413,000
Representation allowance (RA)	500,500	413,000
Clothing/uniform allowance	966,000	990,000
Honoraria	357,000	711,431
Longevity pay	115,000	180,000
Overtime and night pay	3,412,473	2,477,571
Year-end bonus	4,714,132	3,930,121
Cash gift	825,000	825,000
Other bonuses and allowances	6,862,986	9,028,121
	22,154,227	**22,884,244**

17.3 Employees Future Benefits

The permanent employees of the PTNI contribute to the GSIS in accordance with RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at nine (9) per cent of the basic salaries of regular government employees.

17.4 Personnel Benefit Contributions

	2019	2018
Retirement and life insurance premiums	6,486,506	5,616,298
Pag-IBIG contributions	195,850	394,435
PhilHealth contributions	686,378	736,162
Employee compensation insurance premiums	196,600	1,551,375
	7,565,334	**8,298,270**

17.5 Other Personnel Benefits

	2019	2018
Terminal leave benefits	5,358,046	903,397
Other personnel benefits-other fringe benefits	6,000	9,932,500
	5,364,046	**10,835,897**

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2019	2018
Traveling expenses	15,633,661	13,439,718
Training and scholarship expenses	781,015	1,414,113
Supplies and materials expenses	8,648,658	9,564,659
Utility expenses	25,825,802	28,946,224
Communication expenses	12,545,456	12,839,504
Confidential, intelligence and extraordinary expenses	-	903,914
Professional services	125,893,264	88,570,712
General services	13,347,691	11,729,328
Repairs and maintenance	4,833,168	3,421,541
Taxes, insurance premiums and other fees	5,124,224	6,351,833
Labor and wages	-	94,200
Other maintenance and operating expenses	7,166,284	17,523,472
	219,799,223	**194,799,218**

18.1 Traveling Expenses

	2019	2018
Traveling expenses-local	10,461,714	9,031,560
Traveling expenses-foreign	5,171,947	4,408,158
	15,633,661	**13,439,718**

18.2 Training and Scholarship Expenses

	2019	2018
Training expenses	781,015	1,414,113
	781,015	**1,414,113**

18.3 Supplies and Materials Expenses

	2019	2018
Office supplies expenses	1,614,426	1,206,348
Accountable forms expenses	4,470	262,122

	2019	2018
Electrical supplies and materials expenses	579,955	2,444,793
Drugs and medicines expenses	23,924	25,104
Fuel, oil and lubricants expenses	3,706,563	3,914,933
Semi-expendable machinery and equipment expenses	622,406	677,548
Semi-expendible furniture, fixtures and books expenses	554,115	123,346
Other supplies and materials expenses	1,542,799	910,465
	8,648,658	**9,564,659**

18.4 Utility Expenses

	2019	2018
Water expenses	1,193,205	1,318,963
Electricity expenses	24,632,597	27,627,261
	25,825,802	**28,946,224**

18.5 Communication Expenses

	2019	2018
Postage and courier services	206,956	78,997
Telephone	2,459,373	3,874,571
Internet subscription expenses	2,305,624	4,317,690
Cable, satellite, telegraph and radio expenses	7,573,503	4,568,246
	12,545,456	**12,839,504**

18.6 Confidential, Intelligence and Extraordinary Expenses

	2019	2018
Extraordinary and miscellaneous expenses	-	903,914
	-	**903,914**

18.7 Professional Services

	2019	2018
Auditing services	2,517,864	-
Consultancy services	-	401,786
Other professional services	123,375,400	88,168,926
	125,893,264	**88,570,712**

18.8 General Services

	2019	2018
Janitorial services	2,246,529	2,186,446
Security services	11,101,162	9,542,882
	13,347,691	**11,729,328**

18.9 Repairs and Maintenance

	2019	2018
Repairs and maintenance-infrastructure assets	418,061	190,099
Repairs and maintenance-buildings and other structures	594,534	790,747
Repairs and maintenance-machinery and equipment	2,536,501	923,251

	2019	2018
Repairs and maintenance-transportation equipment	1,239,870	1,301,569
Repairs and maintenance-furniture and fixtures	44,014	35,038
Repairs and maintenance-semi-expendable machinery and equipment	188	122,494
Repairs and maintenance-other property, plant and equipment	-	58,343
	4,833,168	**3,421,541**

18.10 Taxes, Insurance Premiums and Other Fees

	2019	2018
Taxes, duties and licenses	566,289	2,873,328
Fidelity bond premiums	3,900	8,456
Insurance expenses	4,554,035	3,470,049
	5,124,224	**6,351,833**

18.11 Labor and Wages

	2019	2018
Labor and wages	-	94,200
	-	**94,200**

18.12 Other Maintenance and Operating Expenses

	2019	2018
Advertising, promotional and marketing expenses	553,648	1,031,341
Representation expenses	1,184,201	640,549
Transportation and delivery expenses	382,345	749,232
Rent/lease expenses	1,479,910	7,439,423
Membership dues and contributions to organizations	-	303,986
Subscription expenses	40,488	256,121
Donations	5,000	1,000
Documentary stamps expenses	15,139	27,164
Fees and commission expenses	-	20,163
Major events and conventions expenses	528,693	1,183,551
Other maintenance and operating expenses	2,691,860	5,870,942
Directors and committee members' fees	285,000	-
	7,166,284	**17,523,472**

19. FINANCIAL EXPENSES

This account comprises the following:

	2019	2018
Interest expenses	74,059	674,225
Bank charges	83,518	22,161
	157,577	**696,386**

20. NON-CASH EXPENSES

This account is composed of the following:

	2019	2018
Depreciation-buildings and other structures	8,811,826	8,760,287
Depreciation-machinery and equipment	40,379,873	35,453,133
Depreciation-transportation and equipment	4,561,733	4,646,901
Depreciation-furniture and fixtures	123,725	98,607
Depreciation-infrastructure assets	15,477,621	-
	69,354,778	48,958,928
Impairment loss-loans and receivables	22,548,734	5,851,270
Impairment loss-other receivables	13,256,141	-
	35,804,875	5,851,270
	105,159,653	**54,810,198**

The increase in impairment loss-loans and receivables was the result of the adjustment of various receivables pertaining to prior years.

21. OTHER NON-OPERATING INCOME, GAINS OR LOSSES

This account comprises net of the following sub-accounts:

21.1 Other Non-Operating Income

	2019	2018
Miscellaneous income	781,550	392,719
	781,550	**392,719**

21.2 Gains

	2019	2018
Gain on foreign exchange (FOREX)	581,342	12,194
Gain on sale of unserviceable property	-	150,000
	581,342	**162,194**

21.3 Losses

	2019	2018
Loss on foreign exchange (FOREX)	231,223	39,662
	231,223	**39,662**

22. ASSISTANCE AND SUBSIDY FROM NATIONAL GOVERNMENT

This consists of Subsidy from the National Government for:

	2019	2018
Personnel services & MOOE	113,324,000	76,097,000
Capital outlay	272,567,898	186,607,671
	385,891,898	**262,704,671**

23. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/ (DEFICIT)

	2019	2018
Surplus for the year	183,923,765	123,821,894
Depreciation	69,354,778	48,958,928
Impairment loss	35,804,875	5,851,270
Gain on sale of property	-	(150,000)
Prior year expenses disbursed in current year	(33,244,173)	(134,987,810)
Decrease (Increase) in receivables	(50,579,586)	11,185,632
Decrease (Increase) in inventories	180,000	212,302
Decrease (Increase) in other current assets	(4,842,639)	(15,129,102)
Increase (Decrease) in financial liabilities	54,390,017	69,110,720
Increase (Decrease) in inter-agency payables	29,387,404	4,608,697
Increase (Decrease) in trust liabilities	(24,798,164)	4,893,428
Net cash flows from operating activites	**259,576,277**	**118,375,959**

24. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year other than the remuneration received by the key management personnel.

24.1 Key Management Personnel

The key management personnel of the PTNI are the Members of the Governing Board, the General Manager, and the Principal Officers. The Governing Body consists of members appointed by the President of the Philippines. The Principal Officers consist of the Department Managers/Heads.

24.2 Key Management Personnel Compensation

The aggregate remuneration of members of the governing body and the principal officers of PTNI determined on a fulltime equivalent basis receiving remuneration within this category, are:

	Total remuneration
Salaries and wages	7,029,239
Other compensation	1,587,000
Other personnel benefits	983,264
	9,599,503

25. GOVERNMENT EQUITY

The new charter increases the authorized capital stock of the Network to P6 billion. Of the additional authorized capital of P5 billion, P2 billion shall be taken from the proceeds of the privatization of Radio Philippines Network (RPN 9) and Intercontinental Broadcasting Corporation (IBC 13). The remaining P3 billion shall be appropriated under the General Appropriations Act.

As of December 31, 2019, the authorized capital stock of the Network as presented in the financial statement is One Billion pesos (P1,000,000,000.00) divided into one million (1,000,000) shares with par value of One Thousand pesos (P1,000.00) per share, subscribed and paid in full by the Government of the Republic of the Philippines on December 31, 2008.

26. ACCUMULATED SURPLUS

	Amount
Accumulated surplus, January 1, 2018	**876,071,749**
Add/(deduct) adjustments:	
Other adjustments	-
Accumulated surplus, January 1, 2018	**876,071,749**
Surplus for CY 2018, as previouly stated	123,821,894
Other adjustments	53,222,985
Accumulated surplus, December 31, 2018	**1,053,116,628**
Surplus for CY 2019	183,923,765
Other adjustments	31,126,924
Accumulated surplus, December 31, 2019	**1,268,167,317**

27. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for December 31, 2019 is the proposed Corporate Operating Budget (COB) for the year 2019 and was submitted to the Department of Budget and Management (DBM) for review/evaluation while the *final budget* is the amount as approved by DBM on December 6, 2019. The proposed/original COB was prepared considering: (1) the Agency's various programs, projects and activities in pursuance of its mandate; (2) the projected revenues and other sources of income to finance and support these programs; (3) actual expenses on previous years; and (4) effects of inflation.

Changes between the original and final budget are due to the following:

a. DBM's approved level of budget reducing the proposed amount by P252,840,584.
b. The grant of other allowances/benefits is subject to the approval from the Office of the President.
c. The MOOE level was computed considering actual/audited expenses in prevous years.

Material differences between the actual expenses as against the budget pertain to the following:

- There were benefits that were not paid since not all requirements were met by the Agency such as the Performance Based Bonus (PBB).

- For Capital Outlay, actual release of subsidy to PTNI was based on actual project implementation. Some projects were delayed due to various reasons such as failure of bidding, availability of sites (as in the case of the Marawi project) and requests for realignment (as in the case of the Congress initiated funds for the Davao del Norte affiliate station).

28. SUPPLEMENTARY INFORMATION REQUIRED BY BIR UNDER REVENUE REGULATION NO. 15-2010

28.1 Revenue Regulation (RR) No. 15-2010

PTNI failed to remit the total amount of P178.823 million to the Bureau of Internal Revenue (BIR) representing taxes withheld as of December 31, 2019, contrary to BIR RR No. 15-2010 dated November 25, 2010.

Due to BIR as of December 31, 2019	Amount
Due to BIR – Withholding tax on compensation	(9,173,737)
Due to BIR – Expanded withholding tax	160,327,617
Due to BIR – VAT withheld	23,653,357
Due to BIR – Percentage tax	4,015,923
TOTAL	**178,823,160**

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid during the taxable year.

a. The Agency is a VAT registered company with VAT output tax declaration of P85,184,805 for the year.

b. The amount of VAT input taxes claimed are broken down as follows:

	Amount
Balance, beginning of the year	236,410,998
Tax on goods for resale/purchases	35,972,919
Sub-total	**272,383,917**
Less: Output tax	85,184,805
Balance, end of the year	**187,199,112**

c. Other Taxes and Licenses

	Amount
Local	565,789
National (BIR Annual Registration Fee)	500
Total	**566,289**

d. The amount of withholding taxes paid/accrued for the year amounted to:

	Amount
Tax on compensation and benefits	3,340,245
Creditable withholding taxes	8,809,311
Final withholding taxes	18,240,502
Total	**30,390,058**

29. COMPLIANCE WITH GSIS LAW

The PTNI complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2019:

	Withheld	Remitted
Life and retirement premiums, employees share	5,062,067	4,865,184
Government share	6,486,506	6,482,890
Total	**11,548,573**	**11,348,074**

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account totaling P136.275 million as of December 31, 2019 was not established due to total net variance of P17.892 million in the Cash in Bank account between the balances per books of P134.745 million and the confirmed bank balances totaling P152.637 million which remained unadjusted, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1. Likewise, the unclaimed checks at year-end totaling P4.785 million were not reverted back to the Cash in Bank account, thereby understating the said account and the Accounts Payable account by same amount. In addition, the recording in the books of the debit memos of P191,000 without supporting documents was contrary to Section 4(6) of Presidential Decree (PD) No. 1445.

1.1 This is a reiteration with updates of previous year's audit observation as Management was not able to implement the corresponding recommendations.

1.2 The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities includes, among others, the following qualitative characteristics of useful information:

Faithful Representation

3.10. To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is aimed when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transactions, other event, activity or circumstance – which is not necessarily always the same as its legal form.

3.11 In practice, it may be possible to know or confirm whether information presented in [General Purpose Financial Reports] *GPFRs is complete, neutral, and free from material error. However, information should be as complete, neutral, and free from error as is possible.*

1.3 Likewise, Paragraph 27 of IPSAS 1 provides as follows:

Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set-out in International Public Sector Accounting Standards (IPSASs). The application of IPSASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

1.4 The Audit Team sent confirmation letters (CLs) to the two depository banks of the PTNI, to determine the existence and accuracy of the balance of the Cash in Bank account as at December 31, 2019. Results of confirmation, however, showed total net variance of P17.892 million between the balances per books and the confirmed bank balances, as shown in Table 1.

Table 1 - Results of Confirmation of Cash in Bank Account
As at December 31, 2019

Bank Account (Code)	Balance per Books	Balance per Bank	Variance
Bank 1/Account A	P104,273,234.51	P130,560,634.22	P(26,287,399.71)
Bank 1/Account B	21,314,760.16	22,069,476.65	(754,716.49)
Bank 1/Account C*	905,885.33	7,187.38	898,697.95
Bank 2/Account A	9,404,812.46	-	9,404,812.46
Bank 2/Account B	0.21	-	0.21
Bank 2/Account C	(6,288,435.60)	-	(6,288,435.60)
Bank 2/Account D	621,927.33	-	621,927.33
Bank 2/Account E	4,512,434.27	-	4,512,434.27
Total	**P134,744,618.67**	**P152,637,298.25**	**P(17,892,679.58)**

**at P50.744/US Dollar per reported exchange rate of 12/27/2019*

1.5 Per Accounting records and as shown in Table 1, the Network has been maintaining eight bank accounts, but confirmation with its depository banks revealed that only three accounts were active as of December 31, 2019.

1.6 Further review of the available documents relative to the Cash in Bank account revealed that the variances noted could be attributed to the following:

a. *Reconciling items in the bank and book balances amounting to P7,793,396 and P19,284,250, respectively -*

Verification of the Bank Reconciliation Statements (BRSs) prepared for bank accounts coded as Bank 1/Account A and Bank 1/Account B showed that one of the causes of the variances was the reconciling items, as shown in Table 2.

Table 2 – Outstanding Reconciling Items

	Reconciling Items			
	Bank	Book		
Bank Account (Code)	Outstanding Checks	Credit Memos (CMs)	Debit Memos (DMs)	Total Book Reconciling Items
Bank 1/Account A	P7,038,679.69	P19,266,700.19	P17,550.17	P19,284,250.36
Bank 1/Account B	754,716.49	-	-	-
Total	**P7,793,396.18**	**P19,266,700.19**	**P17,550.17**	**P19,284,250.36**

The CMs and DMs were still not recognized in the books in the absence of the details/particulars thereof which the Network has already requested from the concerned depository bank.

b. *Bank account with a balance of P898,698 was recorded in the books as part of Bank 1/Account C and is under the name of PTNI New Media -*

As regards Bank 1/Account C, documents revealed that the variance of P898,697.95 pertained to another account, but was recorded in the books as part of Account C. The concerned depository bank for this account was not able to confirm the balance as it is under the name of PTNI New Media.

c. *Closed bank accounts under Bank 2 with unidentified reconciling items totaling P8,250,738 -*

Further review of the documents revealed that all bank accounts coded as Bank 2 in Table 1 were already closed on June 5, 2018 and the remaining cash in bank amounting to P1,215,835 before their closure was transferred to Bank 1. However, as can be gleaned from Table 1, these bank accounts still remained in the books.

Inquiry from the Accounting personnel disclosed that the variances noted in these bank accounts amounting to P8,250,738 are unidentified reconciling items from prior years with no supporting documents; hence, adjustments could not be effected in the books.

Unclaimed checks at year-end totaling P4.785 million were not reverted back or restored to the Cash in Bank account

1.7 It was also noted that the outstanding checks included unclaimed checks as of December 31, 2019 totaling P4,784,755 which were not reverted back or restored to the Cash in Bank; thus understating both the Cash in Bank and the Accounts Payable accounts at year-end by said amount.

Recording in the books of the debit memos of P191,000 without supporting documents, contrary to Section 4(6) of PD No. 1445

1.8 It was further noted that debit memos amounting to P191,000 were recognized in the books despite the absence of details thereon. Section 4.6 of PD No. 1445 requires that *"Claims against government funds shall be supported with complete documentation."*

1.9 In view of the foregoing deficiencies, the faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account totaling P136.275 million as of December 31, 2019 was not established.

1.10 **We reiterated our prior year's audit recommendations and Management agreed to require the Finance Department to exert all efforts to determine the causes of the remaining unidentified variances, review/analyze the reconciling items, and effect necessary adjustments in the books for fair presentation of the Cash in Bank account in the financial statements.**

1.11 **We, likewise, recommended and Management agreed to direct the Finance Department to:**

a. Effect necessary adjusting entries to restore/revert back to the Cash-in-Bank account the unclaimed checks at year-end totaling P4.785 million; and

b. Submit to the Audit Team the documents/details of the debit memos totaling P191,000 recognized in the books pursuant to Section 4(6) of PD No. 1445.

2. The faithful representation in the financial statements of the Property, Plant and Equipment (PPE) account with carrying amount of P2.063 billion as at December 31, 2019 was not established due to: (a) the non-completion of the physical inventory taking as required under COA Circular No. 80-124 dated January 18, 1980; (b) variances totaling P579.861 million between the balances per Accounting records and the Report on the Physical Count of PPE (RPCPPE); and (c) inadequate maintenance of PPE Ledger Cards (PPELCs) by the Accounting Section and Property Cards (PCs) by the Property Section, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. Likewise, there was an over provision of depreciation on Office Equipment account amounting to P15.006 million, resulting in the overstatement of Depreciation Expense account and affected other related accounts.

2.1 This is a reiteration with updates of the previous year's audit observation as Management was not able to fully implement the recommendations embodied in the Annual Audit Report (AAR) for calendar years (CYs) ended December 31, 2018 and 2017.

2.2 The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities includes, among others, the following qualitative characteristics of useful information:

Faithful Representation

3.10. To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is aimed when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transactions, other event, activity or circumstance – which is not necessarily always the same as its legal form.

3.11 In practice, it may be possible to know or confirm whether information presented in [General Purpose Financial Reports] *GPFRs is complete, neutral, and free from material error. However, information should be as complete, neutral, and free from error as is possible.*

2.3 The PPE account as presented in the financial statements as at December 31, 2019 had a carrying amount of P2.063 billion, categorized into sub-accounts as shown in Table 3.

Table 3 – Balance of PPE Account as of December 31, 2019

PPE Sub-account	Cost	Accumulated Depreciation	Accumulated Impairment losses	Carrying Amount
Land	P 4,270,000	P -	P -	P 4,270,000
Buildings	256,815,901	153,277,001	-	103,538,900
Other structures	5,524,506	1,667,247	-	3,857,259
Office equipment	31,459,408	46,465,849	-	(15,006,441)
Information & communication technology equipment	44,888,180	33,654,808	-	11,233,372
Communication networks	245,195,365			
Communication equipment	1,274,752,791			
Other machinery and equipment	1,250,506			
Motor vehicles	112,713,933	841,218,791	9,450	792,684,354
Furniture and fixtures	6,047,121	5,050,138	-	996,983
Lease asset improvements, buildings and other structures	1,265,426	332,175	-	933,251
Other PPE	162,711,643	18,559,622	-	144,152,021
Construction in progress	1,016,344,623	-	-	1,016,344,623
Total	**P3,163,239,403**	**P1,100,225,631**	**P9,450**	**P2,063,004,322**

2.4 Audit of the PPE account disclosed several deficiencies as discussed in the succeeding paragraphs.

Non-completion of the physical inventory taking as required under COA Circular No. 80-124 dated January 18, 1980

2.5 COA Circular No. 80-124 dated January 18, 1980 provides, among others, that physical inventory-taking being an indispensable procedure for checking the integrity of property custodianship must be regularly conducted. The physical inventory of fixed assets shall be performed at least once a year on or before December 31. All inventory reports thereon shall be prepared on the prescribed form and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The report then shall properly be reconciled with accounting and property records.

2.6 Interview with the Officer-in-Charge of the Property Section, who was also designated as the Head of the Inventory Team revealed that for CY 2019 the Team had conducted physical count of PPEs in all provincial stations, while the physical count conducted at the Head Office was not completely done due to various tasks assigned to the members of the Inventory Team.

2.7 Verification showed that out of the total cost of PPEs of P3.163 billion per Accounting records, only P1.299 billion or 41% per cent of the total had been physically counted per RPCPPE submitted by the Inventory Team. Details are presented in Table 4.

Table 4 – PPE per Accounting Records *vis-à-vis* Physically Counted PPEs

PPE Sub-accounts	Accounting Records	RPCPPE
Land	P 4,270,000	P -
Communication networks	245,195,365	1,117,790,501
Buildings	256,815,901	-
Other structures	5,524,506	-
Office equipment	31,459,408	16,987,710
Information & communication technology (ICT) equipment	44,888,180	53,658,827
Communication equipment	1,274,752,791	-
Other machinery and equipment	1,250,506	-
Motor vehicles	112,713,933	106,434,727
Furniture and fixtures	6,047,121	3,981,315
Lease asset improvements, buildings and other structures	1,265,426	-
Other PPE	162,711,643	-
Construction in progress	1,016,344,623	-
EMS	-	304,500
Total	**P3,163,239,403**	**P1,299,157,580**

2.8 In view of the incomplete physical count, the existence of those PPE items not physically counted could not be ascertained.

Variances totaling P579.861 million between the balances per Accounting records and the RPCPPE

2.9 Aside from the non-completion of the physical inventory, comparison of balances of PPE sub-accounts per Accounting records and the RPCPPE as of December 31, 2019 showed a variance of P579.861 million, details are presented in Table 5.

Table 5– Comparison of the PPE Sub-Accounts balances between Accounting Section and RPCPPE as of December 31, 2019

PPE Sub-account	Accounting Records	RPCPPE	Variance
Communication networks	P 245,195,365	P1,117,790,501	P(872,595,136)
Office equipment	31,459,408	16,987,710	14,471,698
ICT equipment	44,888,180	53,658,827	(8,770,647)
Communication equipment	1,274,752,791	-	1,274,752,791
Other machinery and equipment	1,250,506	-	1,250,506
Motor vehicles	112,713,933	106,434,727	6,279,206
Furniture and fixtures	6,047,121	3,981,315	2,065,806
Other PPE	162,711,643	-	162,711,643
EMS	-	304,500	(304,500)
Total	**P1,879,018,947**	**P1,299,157,580**	**P 579,861,367**

2.10 The variances between the Accounting records and the RPCPPE could be an indication that there are unaccounted PPEs or shortages of PPEs. Hence, there is a need that the causes of the variances should be ascertained.

Inadequate maintenance of PPELCs by the Accounting Section and PCs by the Property Section

2.11 Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I, provides that:

> *The Chief Accountant shall maintain the PPELC for each category of PPE xxx. The PPELC shall be kept to record promptly the acquisition, impairment loss, disposal, and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.*

2.12 Verification revealed that the Accounting and the Property Sections do not maintain adequate PPELCs and PCs, respectively, despite the previous year's audit recommendation. The maintenance of these records is necessary to facilitate the reconciliation process for each class or category of an item of PPE. Thus, the non-maintenance of adequate PPELCs and PCs, the reconciliation of the PPE balances between Accounting and Property records as well as the RPCPPE could not be facilitated.

Over provision of depreciation on Office Equipment account amounting to P15.006 million, resulted in the overstatement of Depreciation Expense account and affected other related accounts

2.13 Analysis of the PPE account showed that the negative carrying amount of P15.006 million of Office Equipment account was due to over provision of Depreciation on the said account. Details are presented in Table 6.

Table 6 - Over provision of Depreciation on Office Equipment Account

Particular	Amount
Cost	P 31,459,408
Less: Accumulated depreciation	46,465,849
Over provision	P(15,006,441)

2.14 Further, it was noted that the five per cent salvage value on the cost of the PPEs was not applied in the computation of depreciation as provided under Paragraph e(3), Section 6.3 of COA Circular No. 2017-004 dated December 13, 2017.

2.15 The over provision of depreciation on Office Equipment account amounting to P15.006 million resulted in the overstatement of Depreciation Expense account and affected other related accounts, i.e. Accumulated Depreciation, PPE and Accumulated Surplus/(Deficit) accounts.

2.16 In summary, due to the foregoing deficiencies, the faithful representation in the financial statements of the PPE account with carrying amount of P2.063 billion as at December 31, 2019 was not established.

2.17 **We reiterated our previous year's recommendations and Management agreed to:**

a. Ensure that the conduct of the annual physical inventory taking of PPEs is completed, a corresponding RPCPPE is prepared and a copy of which is submitted to the Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980;

b. Instruct the Accounting and Property Sections to: (i) determine the causes of the variances noted between the books and the RPCPPE and effect necessary adjustments/corrections on the affected records, and (ii) maintain PPELCs and PCs, respectively, for each item of PPE to facilitate reconciliation of the PPE account; and

c. Instruct the Accounting Section to analyze the over provision of depreciation on the Office Equipment account and make the necessary adjustments in the books to reflect the accurate balance thereof.

2.18 Management informed that the Accounting Section has already started the preparation of the PPELCs pertaining to items of PPE from previous years. Recently acquired PPEs have ledger cards and are updated regularly. In addition, the Accounting Section has partly determined that one of the probable causes of the variances was due to adjustment in salvage value from 10% to 5%.

2.19 As a rejoinder, the Audit Team acknowledged the initial actions taken by Management in preparing the PPELCs as well as the partial identification of the cause for the variance. Their full compliance with the recommendations will be monitored in CY 2020 audit.

3. Unserviceable PPE items amounting to P4.968 million remained in the books contrary to Paragraph 82 of IPSAS 17, in view of the pending reconciliation of the unit cost of these properties by the Finance Division, thus delaying the disposal process and resulting in the overstatement of the PPE account by the said amount as of December 31, 2019.

3.1 Paragraph 82 of IPSAS 17 provides that the carrying amount of an item of property, plant, and equipment shall be derecognized:

(a) On disposal; or

(b) When no future economic benefits or service potential is expected from its use or disposal.

3.2 Verification of records showed that unserviceable properties in the total amount of P4.968 million as of December 31, 2019 were still recorded in the books, contrary to Paragraph 82 of IPSAS 17, which states that when no future economic benefits or service potential is expected from its use or disposal, the carrying amount of an item of PPE shall be derecognized from the books. Details of unserviceable PPEs are shown in Table 7.

Table 7 – Inventory of Unserviceable Property

Station/Office	Communication network	Office equipment	IT equipment	Motor vehicles	Total
Baguio	P 773,776	P -	P -	P -	P 773,776
Calbayog	26,980	20,745	-	-	47,725
Cebu	112,332	-	-	-	112,332
Davao	-	2,520	-	-	2,520
Dumaguete	184,880	-	-	-	184,880
Guimaras	34,334	-	-	-	34,334
Ipil Sibugay	7,990	-	-	-	7,990
Naga	28,960	-	-	-	28,960
Palawan	352,593	-	-	-	352,593
Tacloban	27,047	34,364	-	-	61,411
Dispatching	-	-	-	913,095	913,095
HD ENG Van (Unit-4)	27,000	-	-	-	27,000
Lotto	-	-	22,000	-	22,000
Studio A	191,967	-	-	-	191,967
TOC	64,747	-	-	-	64,747
Uplink	2,142,529	-	-	-	2,142,529
Total	**P3,975,135**	**P57,629**	**P22,000**	**P913,095**	**P4,967,859**

3.3 Inquiry from the Head of the Property Section revealed that they have a pending request for disposal of these unserviceable properties since 2018 and that the Inventory and Inspection Reports of Unserviceable Properties (IIRUPs) were already submitted to the PTNI Disposal Committee. However, as at audit date, there was no approved IIRUP submitted to the Audit Team as the Finance Division is still reconciling the unit cost of the PPE items to be disposed of.

3.4 The non-derecognition in the books of the unserviceable PPEs totaling P4.968 million resulted in the overstatement of the PPE account by the same amount as of December 31, 2019. Likewise, the non-disposal thereof, exposes the items to further deterioration or obsolescence, depriving the PTNI of a higher return if these properties are not immediately disposed of through sale or negotiation.

3.5 **We recommended and Management agreed to:**

a. **Direct the Finance Division to expedite the reconciliation of the unit cost of the unserviceable PPE items to facilitate the immediate disposal thereof; and**

b. **Instruct the Disposal Committee to submit the IIRUP to the Accounting Division upon completion of the disposal activity, to serve as basis in derecognizing in the books the unserviceable properties in the amount of P4.968 million.**

4. The reliability, validity and accuracy of the balance of the Accounts Receivable (AR)-Trade account in the gross amount of P711.917 million as of December 31, 2019 could not be ascertained due to variances in absolute value of P124.808 million between the balances per general ledger (GL) and the subsidiary ledgers (SLs). Likewise, confirmation of the accounts resulted in either "return to sender" or had no reply at all.

4.1 Verification showed that the balance of the AR-Trade account per books in the gross amount of P711.917 million as of December 31, 2019 did not reconcile with the balance per SLs, thereby, showing total variance in absolute amount of P124.808 million, details are presented in Table 8.

Table 8 – Comparison of GL and SLs of the A/R-Trade Account

Account Code	Account Title	GL	SLs	Variance in absolute amount
0301010-A	AR – Airtime	P243,164,542.31	P210,860,937.51	P 32,303,604.80
0301010-B	AR – Airtime Ex-Deals	43,207,031.92	55,643,145.39	12,436,113.47
0301010-C	AR – Spots	174,921,478.85	110,846,783.95	64,074,694.90
0301010-C2	AR – Spots (Cash) One Morning	1,906,400.00	-	1,906,400.00
0301010-D	AR– Spots Ex-Deals	115,170,779.29	117,079,174.47	1,908,395.18
0301010-D2	AR – Spots (Ex-Deals) One Morning	1,129,796.20	-	1,129,796.20
0301010-E	AR – Facilities	31,158,722.10	24,066,410.13	7,092,311.97
0301010-F	AR – Government Accounts	101,198,154.26	97,301,960.41	3,896,193.85
0301010-G	AR – Provincial	60,000.00	-	60,000.00
Total		**P711,916,904.93**	**P615,798,411.86**	**P124,807,510.37**

4.2 These variances were already brought to the attention of PTNI Management in the AAR for the CY 2014, wherein they agreed to conduct analysis to determine the details thereof. However, as at audit date, such variances remain unidentified and the books still unreconciled.

4.3 Inquiry from the concerned personnel of the Finance Division revealed that they are having difficulty on identifying the details of the P124.808 million variances due to the unavailability of the supporting documents and the former person in-charge of the AR-Trade account had already resigned.

4.4 Likewise, the Audit Team sent confirmation letters (CLs) to randomly selected clients with available complete address per Accounting records, to verify the accuracy of the AR-Trade recorded in the books. However, of the total 26 CLs sent to clients amounting to P33.760 million, all have no replies. Details are presented in Table 9.

Table 9 – Result of Confirmation Letters

Particular	No. of Accounts	Amount
Confirmed balances	0	P -
Reporting differences:		
Portion confirmed	0	-
Portion excepted to	0	-
Returned by post-office	9	18,922,850.00
No reply	17	14,837,264.80
Total	**26**	**P33,760,114.80**

4.5 The nine (9) returned CLs were tagged by the post-office as either the recipient has already moved out and did not leave any forwarding address, “unknown”, “no longer connected”, or simply refused to receive. Further, no replies were received for the remaining seventeen (17) CLs as at audit date.

4.6 In view of the variances in absolute amount of P124.808 million between the GL and SLs balances as well as the negative results of the CLs sent to clients, the reliability, validity and accuracy of the balance of the AR-Trade account in the gross amount of P711.917 million as of December 31, 2019 could not be ascertained. However, it is worth mentioning that the account has been provided with Allowance for Impairment in the amount of P585.614 million, thus the carrying balance of the AR-Trade account as of December 31, 2019 is P126.303 million.

4.7 **We recommended and Management agreed to:**

a. **Instruct the Finance Division to reconcile the balances between the GL and SLs of the AR-Trade account and prepare the necessary adjusting entry, if any;**

b. **Provide complete information/addresses of clients for purposes of monitoring collections of receivables; and**

c. Send demand letters/billing statements to all debtors of PTNI.

4.8 Management further informed that the Network has been sending demand letters to all its debtors while reconciliation of accounts/records is ongoing. Client information will be updated as required. The Network is also consolidating all relevant documents for endorsement to the Office of the Government Corporate Counsel (OGCC) for the filing of collection suit against the debtors of PTNI for overdue accounts.

4.9 As a rejoinder, the Audit Team acknowledged the initial actions taken by Management to implement the recommendations. Their full compliance thereof will be monitored in CY 2020 audit.

B. OTHER OBSERVATIONS

5. Payment of Occasional Utilization Fee to a Satellite Company amounting to US$49,000 or P2.573 million without a written contract was contrary to Section 4 of Presidential Decree (PD) No. 1445. Likewise, said procurement did not undergo procurement process contrary to Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

5.1 This is a reiteration with updates of the previous year's observation as Management was not able to fully implement the corresponding recommendations.

5.2 Section 4 of PD No. 1445 provides that:

> *Fundamental principles. Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:*
>
> *Xxx*
>
> *6. Claims against government funds shall be supported with complete documentation.*
>
> *7. All laws and regulations applicable to financial transactions shall be faithfully adhered to*
>
> *Xxx.*

5.3 Further, Section 10, Rule IV of the RIRR of RA No. 9184 states that

> *All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR.*

5.4 The PTNI availed the services of a Satellite Company for the broadcast of Lotto draws and special coverage with occasional utilization fee to be billed by the latter.

5.5 Post audit of the Disbursement Vouchers (DVs) for CY 2019 showed that PTNI paid the Satellite Company the total amount of US$49,000 or P2,572,796 representing payment of occasional utilization fee for the satellite services of Lotto Draws and other special coverage for the period January 2019 to May 2019.

5.6 Further verification revealed that the said services were paid without a written contract. The payments were processed based on the invoices submitted by the Satellite Company in US Dollar currency and a certification from the Officer-in-Charge of the Technical/Engineering Division that PTNI had availed its services as satellite service provider for Lotto draws and special coverage for a specific period.

5.7 Inquiry from the Accounting personnel revealed that there was no written contract between PTNI and the Satellite Company for the satellite services for lotto draws and special coverage. The existing contract with the Satellite Company was a three-year Contract of Lease Service Delivery of Standard C-Band Space Segment for the Broadcast Service of PTNI.

5.8 Further, the procurement of the satellite services provided for Lotto Draws and Special Coverage did not undergo procurement process as required under Section 10, Rule IV of the RIRR of RA No. 9184.

5.9 Hence, payment of Occasional Utilization Fee in the total amount of US$49,000 or P2,572,796 as of December 31, 2019 was contrary to Section 4 of PD No. 1445 and Section 10, Rule IV of the RIRR of RA No. 9184.

5.10 **We reiterated our prior year's audit recommendations and Management agreed to:**

a. **Strictly comply with the provisions of Section 4 of PD No 1445, that all claims against government funds shall be supported with complete documentation;**

b. **Hold liable the officers who allowed the payment of Occasional Utilization Fee to the Satellite Company despite the absence of a written contract; and**

c. **Ensure that all procurements must undergo procurement process in accordance with RA No. 9184 and its RIRR.**

5.11 Management further conveyed that the Network, at present, is strictly complying with the procurement process as mandated under RA No. 9184 and its RIRR. As regards the Satellite Company, payment for its services had been suspended since May 2019 in response to the previous year's audit observation. However, the Satellite Company is mulling to file a case against the Network; thus, PTNI has sought the assistance/opinion of the OGCC on the matter. Upon receipt of the Opinion of the OGCC on this issue, the same will be discussed with the Audit Team.

5.12 As a rejoinder, the Audit Team recognized the initial actions taken by Management and their commitment to comply with the recommendations. Their full compliance thereon will be monitored in CY 2020 audit. As to the previous payments made to the Satellite Company without a written contract, the same shall be issued a Notice of Suspension.

6. The payment of janitorial services to the Service Provider in the total amount of P2.475 million for CY 2019 under a Job Order Contract was contrary to Section 10 of the RIRR of RA No. 9184 and Section 4(6) of PD No. 1445.

6.1 This a reiteration of the previous year's audit observation as Management was not able to implement the corresponding recommendations.

6.2 Section 10 of the RIRR of RA No. 9184 provides that:

> *All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR*

6.3 Further, Section 4(6) of PD No. 1445 states that:

> *Claims against government funds shall be supported with complete documentation.*

6.4 Post audit of the DVs for CY 2019 showed that the payments to Happy Charm Janitorial Services (HCJS) amounting to P2,475,037 were made under Job Order Contract and did not undergo procurement process as required under RA No. 9184.

6.5 Inquiry from the Administrative Division revealed that PTNI procured the services of the HCJS for its janitorial needs for the period October 1, 2016 up to present, under a Job Order Contract after their contract expired from different contractor.

6.6 The Government Procurement Policy Board (GPPB) Resolution No. 09-2012 clarifies the issue on the coverage of janitorial services under RA No. 9184. Same Resolution provides that to be excluded from the coverage of RA No. 9184, the janitorial services should be a Job Order that covers piece of work of short duration, not exceeding six months, and, the engagement of the service is on an individual basis.

6.7 However, for the subject janitorial services, the engagement was made by PTNI through an agency/company and the duration of the engagement exceeded the six-month period, as such, same is deemed covered by RA No. 9184.

6.8 Further, inquiry from the Bids and Awards Committee (BAC) revealed that a Pre-Bid conference was conducted on the procurement of Janitorial Services on November 6, 2018, but the BAC recommended the cancellation of the bidding as some corrections needed to be incorporated in the Bid Documents in accordance with RA No. 9184. Nevertheless, until December 31, 2019 there was no public bidding conducted on the procurement of janitorial services.

6.9 Moreover, it was noted that the copy of the Job Order Contract attached to the DVs was not signed by the HCJS.

6.10 The practice of engaging janitorial services through job order for more than three (3) years without conducting public bidding was contrary to the pertinent provision of RA No. 9184 and its RIRR, and the payment of janitorial services without an approved contract was contrary to Section 4(6) of PD No. 1445.

6.11 **We reiterated our prior year's recommendations and Management agreed to:**

   a. **Stop the practice of engaging janitorial services without undergoing the procurement process prescribed under RA No. 9184 and its RIRR; and**

   b. **Submit the approved Job Order Contract to the Audit Team to avoid the issuance of a Notice of Suspension (NS).**

6.12 Management further informed that the Network has already terminated the Job Order for the service provider and they are already formulating the Terms of Reference for the procurement of Janitorial Services in accordance with RA No. 9184 and its RIRR. The copy of the Job Order Contract will be submitted as soon as the service provider signs the conforme portion of the said contract.

6.13 As a rejoinder, the Audit Team acknowledged the initial actions taken by Management to implement the recommendations. Their full compliance thereon will be monitored in CY 2020 audit.

7. The Network procured Information and Communication Technology (ICT) equipment amounting to P232.974 million for CY 2019 without securing an approved/endorsed Information Systems Strategic Plan (ISSP) from the Department of Information and Communications Technology (DICT), contrary to Section 25 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2019 and Condition No. 5 of the Department of Budget and Management (DBM)-approved Corporate Operating Budget (COB) of PTNI for FY 2019.

7.1 Section 25 of the GAA for FY 2019 provides that:

> *Compliance with the Information System Strategic Plan. The amount authorized in this Act for ICT requirements shall be used in accordance with the agency's Information Systems Strategic Plan duly endorsed by the Department of Information and Communications Technology.*

7.2 Likewise, Condition No. 5 of the DBM-approved COB of PTNI provides that Equipment Outlays included in the Annual Procurement Program that require specific clearance/approval from the Agencies concerned (e.g. DICT for procurement of information and communication technology equipment covered by GOCC's Information System Strategic Plan shall be secured prior to acquisition thereof.

7.3 Moreover, the DICT issued a Memorandum dated November 7, 2016 requiring all government agencies including government owned and controlled corporations to submit hard and soft copies of the proposed Agency's ISSP approved by the Head of the Agency for FYs 2018-2020 to the Office of the Secretary of the DICT for review and evaluation.

7.4 Review of the Contract Agreements submitted by the BAC showed that there were procurements of Information and Communication Technology (ICT) equipment in the total amount P232,973,756 for CY 2019. Details are presented in Table 10.

Table 10 – Contract Agreements submitted by PTNI on the Procurements of ICT Equipment for CY 2019

Name of Project	ITB No.	Contract Amount	Contractor / Supplier	Purchase Order (PO) No./Date	Date of Notice of Award (Conforme)
Supply, Delivery, Installation, Testing and Commissioning on the Replacement of 36 units 9AH Batteries and Replacement of 2 units Power Modules for 128va SYMMETRA PX UPS at Master Control Room (MCR) and Technical Operations Center for the PTNI	2019-0001	P 2,100,000.00	Powercraft Solutions	19-03-0034 / March 14, 2019	March 8, 2019
Supply and Delivery of ABE Transmitter Spare Parts for the Provincial Stations of the PTNI	Direct Contracting	3,600,000.00	BHM Systems Solution Inc.	19-03-0026	Dec. 21, 2018
Supply, Delivery, Installation, Supervision, Integration, Training, Testing and Commissioning of a Technical Broadcast Operation Center (TBOC), Master Control (MC), Playout Automation System, File Based/ Base Band Ingest Station, Media Asset Management System (MAMS) and Deep Archive Solutions and Complete Audio/ Video/Data System and Operation Workflow of the High Definition Technical Operation Center for the Mindanao Hub of the PTNI	2019-0006	126,264,360.00	Composite Technology, Inc.	19-10-0146/ Oct. 23, 2019	Oct. 7, 2019
Supply, Delivery, Installation, Supervision, Integration, Training, Testing and Commissioning of Multipurpose Studio Lighting Facilities for the High Definition Studio of the Mindanao Media Hub of the PTNI	2019-0009	37,206,788.00	BHM Systems Solution Inc.	19-10-0147/ Oct. 23, 2019	Oct. 7, 2019
Supply and Delivery of Transmission Cables, Connectors and Accessories for PTV-11 Cebu Stations of PTNI	2019-0010	1,800,185.62	90 Decress North, Inc.	19-10-0144/ Oct. 9, 2019	Sept. 18, 2019
Service Level Agreement for Technical Operation Center and Master Control (TOC/MC), Media Asset Management Systems (MAMS) Deep Archives, Ingest servers, Graphics and News Room Computer System (NRCS) of PTNI Broadcast Facilities and IT Infrastructures	2019-0013	33,989,540.00	Composite Technology, Inc.	JO No. 19-12-0168/ Dec. 2, 2019	Nov. 19, 2019
Supply, Delivery, Installation, Integration, Training, Testing and Commissioning of Complete System and Accessories of Standard C-Band Satellite Earth Station of Mindanao Media Hub, PTNI	2019-0024	28,012,882.00	Solid Video Corporation	20-01-0002	Dec. 27, 2019
TOTAL		**P232,973,755.62**			

7.5 Verification of documents showed that the Network had no DICT approved/endorsed ISSP. Further verification from the DICT website revealed that the PTNI was not included in the list of agencies with endorsed ISSPs.

7.6 Inquiry from the concerned personnel of the Finance Division disclosed that according to the Officer-in-Charge of the Engineering Division, PTNI is exempted from the submission of ISSP to the DICT. However, as of this writing, PTNI was not able to provide the Audit Team a proof or evidence showing that the Network was really exempted from the submission of the ISSP to the DICT.

7.7 Thus, the procurements of ICT equipment in the total amount of P232.974 million for CY 2019 without securing an approved/endorsed ISSP from the DICT was contrary to Section 25 of the GAA for FY 2019 and Condition No. 5 of the DBM-approved COB of PTNI for FY 2019.

7.8 **We recommended and Management agreed to:**

a. **Require the concerned Division to submit to the Audit Team the DICT-approved ISSP for CY 2019, as a requirement for the procurement of ICT, or submit proof showing that PTNI is exempted from the submission thereof; otherwise, a Notice of Suspension (NS) will be issued.**

b. **Comply strictly with the pertinent provisions of the GAA and the conditions set-forth in the DBM-approved COB of the Network.**

7.9 Management also informed that they will seek exemption from DICT and submit the same once available.

7.10 As a rejoinder, the Audit Team acknowledged the commitment of Management to seek exemption from DICT. It is emphasized, however, that in the absence of said exemption, the subject transactions shall be issued a Notice of Suspension.

8. The legality, validity and propriety of the payments for the salaries of the contractual and contract of service (COS) personnel of PTNI in the total amount of P125.406 million for the period January 2019 to December 2019 could not be ascertained due to non-submission of the documentary requirements, such as, approved Daily Time Records (DTRs) and Contracts of Service, as required under Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.

8.1 This is a reiteration with updates of the previous year's observation as Management was not able to fully implement the corresponding recommendations.

8.2 Section 4 of PD No. 1445 refers to the fundamental principles in handling government funds and requires that financial transactions and operations of any government agency shall be supported with complete documentation and all laws and regulations applicable thereto shall be faithfully adhered to.

8.3 Likewise, Paragraph 3, Section 4.1.3 of COA Circular No. 2012-001 dated June 14, 2012 provides that an agency may hire casual and contractual personnel as part of the organization, when authorized to, and within limits of their respective appropriations. It further enumerated the documentary requirements for processing payments of salaries of the said personnel, which shall include, among others: (a) Copy of Service Contract; (b) Certification by the Personnel Officer that the activities/services cannot be provided by regular or permanent personnel of the agency; (c) Accomplishment Report; and (d) Approved DTRs.

8.4 In addition, Paragraph 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009, requires that within five (5) working days from the execution of a contract by the government agency, a copy of said contract and each of all the documents forming part thereof shall be submitted by reference or incorporation to the Auditor of the agency concerned.

8.5 The Administrative Division submitted to the Audit Team the list of 415 Contract of Service (COS) personnel and 41 project-based talents hired for the CY 2019. However, the list of casual/contractual employees hired for the same period was not submitted.

8.6 Review of the records showed that PTNI paid salaries of contractual and COS personnel in the total amount of P125.406 million for CY 2019. Details are presented in Table 11.

Table 11 – Salaries of Contractual and COS Personnel, CY 2019

Nature of Contracts	Amount
Contract of service (COS)	P123,375,400.32
Casual/contractual	2,030,403.64
Total	**P125,405,803.96**

8.7 Post audit of the CY 2019 payrolls of COS and casual personnel showed that some of the documents, such as, approved DTRs and Contracts of Service, required under Paragraph 3, Section 4.1.3 of COA Circular No. 2012-001 were not attached to the payrolls or submitted to the Audit Team. The service contracts of the above-mentioned personnel covered a six (6)-month period.

8.8 As at audit date, only 373 contracts covering the period of January to June 2019 have been submitted to the Audit Team, contrary to COA Circular No. 2009-001. Inquiry from the personnel of the Administrative Division disclosed that the delay in the submission of said contracts was caused by the delay in the release of the budget for notarization of said contracts.

8.9 Further verification of the documents showed that the submitted DTRs were not approved by the concerned supervisor as required by the COA Circular No. 2012-01.

8.10 The practice of non-submission of the required supporting documents for the payments of salaries of contractual and COS personnel was contrary to the above stated regulations and will result in the issuance of Notice of Suspension (NS) and subsequently a Notice of Disallowance (ND), if the NS is not complied within ninety (90) days from receipt thereof.

8.11 **We recommended and Management agreed to:**

a. Submit all the Contracts of Service to the Office of the Auditor within five (5) working days from the date of execution thereof, as required under COA Circular No. 2009-001 dated February 12, 2009; and

b. Submit all DTRs duly approved by the concerned supervisors.

9. Actual airtime rates charged to and paid by the producers of various Blocktime Programs for the period January to June 2018 were not in accordance with the approved New Airtime Rate Card of PTNI and Programming Guidelines for Co-Productions and Blocktimers; thus, resulting in loss of revenue of P9.178 million.

9.1 The prevailing 'New Airtime Rate Card' of PTNI effective March 1, 2011, which was approved by the Board of Directors and issued by the Chief Operating Officer and General Manager of the Network, provides the following rates as shown in Table 12.

Table 12 – Approved New Airtime Rate Card

Time Schedule	Rate per Hour	
	Weekdays	Weekends
06:00am – 12:00nn	P 40,000.00	P 50,000.00
12:00nn – 01:00pm	50,000.00	60,000.00
01:00pm – 05:00pm	40,000.00	50,000.00
05:00pm – 06:00pm	50,000.00	60,000.00
06:00pm – 07:00pm	65,000.00	70,000.00
07:00pm – 10:00pm	200,000.00	250,000.00
10:00pm – 11:00pm	100,000.00	100,000.00
11:00pm – 12:00mn	50,000.00	70,000.00

9.2 Likewise, Item A, Section III of the Programming Guidelines for Co-Productions and Blocktimers, states that:

A. Blocktime Programs:

A.1 Blocktime programs shall be charged with the approved Network airtime rate card.

A.2 Negotiable rates for blocktime programs shall be based on the following discount rates from the approved Network airtime rate card:

A.2.1 Private/ Commercial production groups/companies – 15%
A.2.2 Religious Groups – 20%
A.2.3 Non-government organizations/ non-profit groups – 30%
A.2.4 Government agencies – 50% discount

A.3 Requests for further reduction of airtime rates other than those stated in item A.2 above, shall be subject to Board approval.

9.3 Review of the Broadcast Contract (BC) of blocktime programs aired for the six-month period, January to June 2018, revealed that actual airtime rates paid by the producers of various blocktime programs were less than the standard rates per 'New Airtime Rate Card' of PTNI even after considering the discount rates indicated in Item A.2 of the Programming Guidelines for Co-Productions and Blocktimers. The details are presented in Table 13.

Table 13 – Comparison of Actual vs Standard Airtime Rates (Blocktimers)

Program / Producer (a)	Broadcast Contract / Telecast Schedule (b)	Total Episodes (January-June 2018) (c)	Actual Airtime Rate per episode (VAT excl.) (d)	Standard Rate per episode (after discount) (e)	Variance f = (e-d)	Revenue Loss g = (f xc)
PRIVATE / COMMERCIAL (15% discount)						
AUTO REVIEW / Vision in Action	BC Nos. 7233 and 7257 / Saturday – 2:00-2:30pm	25	P 20,160.00	P 21,250.00	P1,090.00	P 27,250.00
KILOS PRONTO / Bitag Media Unlimited, Inc. (BMUI)	BC/BA No. 2017-0004 / Monday to Friday – 5:00-6:00pm	90	35,000.00	42,500.00	7,500.00	675,000.00
LAKBAYIN ANG MAGANDANG PILIPINAS/ Lakbay Events Management	BC Nos. 7237 and 7260 / Saturday – 8:30-9:30am	25	22,500.00	42,500.00	20,000.00	500,000.00

Program / Producer (a)	Broadcast Contract / Telecast Schedule (b)	Total Episodes (January-June 2018) (c)	Actual Airtime Rate per episode (VAT excl.) (d)	Standard Rate per episode (after discount) (e)	Variance f = (e-d)	Revenue Loss g = (f xc)
PRIVATE / COMMERCIAL (15% discount)						
MAG-AGRI TAYO/ Foundation for Agriculture Related Mission Inc.	BC Nos. 7238 and 7261 / Saturday – 9:30-10:30am	25	22,500.00	42,500.00	20,000.00	500,000.00
PAYO ALTERNATIBO / Dok Alternatibo	BC Nos. 7239 and 7262 / Sunday – 2:00-2:30pm	24	20,000.00	21,250.00	1,250.00	30,000.00
THE MEDYO LATE NIGHT SHOW WITH JOJO A / Jojo A Group 4, Inc	MOA No. 2018-004 / Monday to Friday – 11:00-11:30pm	45	5,000.00	21,250.00	16,250.00	731,250.00
YAN ANG MARINO / Stimula Production	BC Nos. 7247 and 7270 / Saturday – 11:30-12:00nn	24	20,000.00	21,250.00	1,250.00	30,000.00
RELIGIOUS (20% discount)						
JESUS MIRACLE CRUSADE / Jesus Miracle Crusades International Ministry	BC Nos. 7236 and 7259 / Saturday – 11:00-12:30am	25	48,000.00	84,000.00	36,000.00	900,000.00
ORAS NG HIMALA / Jesus is Our Shield Worldwide Ministries	BC Nos. 7240 and 7263 / Monday to Friday and Sunday – 11:00-12:00mn and Saturday – 5:30-6:30am	128	20,000.00	40,000.00	20,000.00	2,560,000.00
ORAS NG HIMALA / Jesus is Our Shield Worldwide Ministries	BC Nos. 7240 and 7263 / Saturday – 5:30-6:30am	25	20,000.00	40,000.00	20,000.00	500,000.00
ORAS NG HIMALA / Jesus is Our Shield Worldwide Ministries	BC Nos. 7240 and 7263 / Sunday – 11:00-12mn	25	20,000.00	56,000.00	36,000.00	900,000.00
ORAS NG KATOTOHANAN/ Asian Television Content Phil. Corp.	BC Nos. 7232 and 7273 / Monday to Friday – 5:00-6:00am	128	24,000.00	32,000.00	8,000.00	1,024,000.00
ORAS NG KATOTOHANAN/ Asian Television Content Phil. Corp.	BC Nos. 7232 and 7273 / Saturday – 7:00-8:00am	25	24,000.00	40,000.00	16,000.00	400,000.00
ORAS NG KATOTOHANAN/ Asian Television Content Phil. Corp.	BC Nos. 7232 and 7273 / Sunday – 6:30-7:30am	25	24,000.00	40,000.00	16,000.00	400,000.00
TOTAL REVENUE LOSS						**P9,177,500.00**

9.4 Due to the non-compliance with the approved New Airtime Rates, PTNI was deprived of additional revenue amounting to P9,177,500 from the blocktime programs shown in Table 13. This amount could have been used in the Network's current operations and other investment opportunities.

9.5 Per inquiry with the Airtime Management Division, majority of these blocktime programs have been running for more than 10 years and the airtime rates were not adjusted accordingly.

9.6 However, there were no documents or records provided to the Audit Team evidencing that the PTNI's Governing Board had approved the further reduction on airtime rates for these blocktime programs as provided under Item A.3, Section III of the Programming Guidelines for Co-Productions and Blocktimers.

9.7 **We recommended that Management:**

a. **Implement strictly the PTNI-approved New Airtime Rate Card and the Programming Guidelines for Co-Productions and Blocktimers;**

b. **Hold liable the signatories of various broadcast contracts with reduction in discounted airtime rates without the Governing Board's approval; and**

c. **Henceforth, secure prior approval from the Governing Board for further reduction of airtime rates as provided under Item A.3, Section III of the Programming Guidelines for Co-Productions and Blocktimers.**

9.8 Management commented that:

a. The arrangement is one of the first concerns that the 2019 PTNI Management took note of when it assumed office. Measures have already been taken to ensure that Board-approved rates as well as guidelines in airing of programs and other materials are strictly followed and implemented.

b. The matter of holding liable the signatories to the reduction without Board's approval is being studied thoroughly; the Audit Team will be updated regarding the course of action/s.

c. The Board of Directors has also approved the new rates for CY 2019 of airtime including discounts to be granted. PTNI has been diligently complying with the Board-approved discount rates, and as matter of standard operating procedure, any deviations should have the corresponding Board's approval.

d. It may be worth mentioning also that the present Management is considering the review of the 2019 airtime rates to make it more realistic.

9.9 As a rejoinder, the Audit Team recognized the commitment of Management to implement the recommendations. Their full compliance will be monitored in the CY 2020 audit.

10. Expected sales performance from co-production programs for the period January to June 2018 and additional revenue amounting to P10.537 million could have been achieved and realized had the Network conducted review of the programs' sales performance after the first month of telecast, in compliance with the provisions under Item B, Section III of the Programming Guidelines for Co-Productions and Blocktimers.

10.1 Items B.3.4 and B.3.5, Section III of the Programming Guidelines for Co-Productions and Blocktimers, state that:

> *B.3.4. Co-producer and the Network shall agree on the advertising rates to be used and shall set a minimum sales quota for the program. A sales projection will also have to be submitted prior to contract's final approval.*
>
> *B.3.5. 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.*

10.2 Notwithstanding the above provisions, it was noted that various co-production programs fell short of the expected benefits supposed to be derived from selling of commercial spots within the program and/or sharing of revenues and yet, same continued to be broadcasted by PTNI during the period January to June 2018.

10.3 It was further noted that the Network was unable to review the sales performance of these co-production programs after their first month of telecast. Hence, the Network had no basis on deciding whether to cancel these programs and sell the airtime to Blocktimers, where available. Had it made its decision based on the required review, PTNI could have generated revenue amounting to P10.537 million as detailed in Table 14.

Table 14 – Comparison of Minimum Guaranteed Payment vs Standard Airtime Rate (Co-Productions)

Program / Producer (a)	MOA / Telecast Schedule (b)	Total Episodes (January-June 2018) (c)	Minimum Guaranteed Payment per episode (VAT excl.) (d)	Standard Rate per episode (after discount) (e)	Variance f = (e-d)	Unrealized Revenue g = (f x c)
PRIVATE / COMMERCIAL (15% discount)						
BEN TULFO UNFILTERED / Bitag Media Unlimited, Inc (BMUI)	MOA No. 2018-013 / Monday to Friday – 5:30-6:00pm	78	P10,000.00	P21,250.00	P11,250.00	P 877,500.00
BITAG LIVE / Bitag Media Unlimited, Inc (BMUI)	MOA No. 2018-016 / Monday to Friday – 8:00-9:00am	127	15,200.00	34,000.00	18,800.00	2,387,600.00
BITAG NEW GENERATION / Bitag Media Unlimited, Inc (BMUI)	MOA No. 2018-015 / Saturday – 8:00-9:00pm	25	75,000.00	212,500.00	137,500.00	3,437,500.00
CRIME DESK / Bitag Media Unlimited, Inc (BMUI)	MOA No. 2018-014 / Saturday 7:30-8:00pm	24	40,000.00	106,250.00	66,250.00	1,590,000.00
KASANGGA MO ANG LANGIT / Heavenly Images Production for Television, Inc.	MOA Nos. 2018-001 and 2018-010 / Friday – 10:00-10:30pm	25	5,000.00	42,500.00	37,500.00	937,500.00
PINOY US COPS RIDE ALONG / Bitag Media Unlimited, Inc (BMUI)	MOA No. 2018-008 / Saturday – 7:30-8:00pm	17	40,000.00	106,250.00	66,250.00	1,126,250.00
TULAY / Monday Times Corporation (MTC)	MOA Nos. 2018-002 and 2018-012 / Sunday – 11:30-12:00nn	23	13,393.00	21,250.00	7,857.00	180,711.00
TOTAL UNREALIZED REVENUE						**P10,537,061.00**

10.4 **We recommended and Management agreed to:**

a. **Conduct review of the sales performance of the co-production programs as provided for in Items B.3.4 and B.3.5, Section III of the Programming Guidelines for Co-Productions and Blocktimers; and**

b. **Determine, based on subject review, the feasibility of cancelling programs where the expected benefits/revenues**

could not be realized and selling the airtime to Blocktimers, where available.

10.5 Management informed that some co-produced programs have been converted to Blocktimers.

11. The actual airtimes consumed by various TV programs for the period January to June 2018 exceeded the agreed airtimes which was not in accordance with the Memoranda of Agreement (MOAs)/Broadcast Contracts (BCs)/Telecast Orders (TOs) entered into by and between the PTNI and various Blocktimers. Moreover, excess airtimes were not charged or imposed with overtime fees to the disadvantage of the Network; the excess airtimes could have been utilized by the Network for other TV programs or commercial spots in which revenue could have been generated.

11.1 For co-production programs, the agreed airtime is stated in the Memorandum of Agreement (MOA), while for blocktimers, agreed airtime is provided in the Broadcast Contract (BC) or Telecast Order (TO).

11.2 Audit disclosed that various TV programs broadcasted for the period January to June 2018 exceeded the agreed airtimes. Details are presented in Table 15.

Table 15– TV Programs Exceeded the Agreed Airtimes

Program / Producer	Average Actual Airtime per episode	Agreed Airtime per episode*	Variance per episode	Total Episodes (January to June 2018)	Total Variance
BLOCKTIMERS					
JESUS MIRACLE CRUSADE / Jesus Miracle Crusades International Ministry	93 minutes	87 minutes	6 minutes	25	2.5 hours
KILOS PRONTO / Bitag Media Unlimited, Inc. (BMUI)	60 minutes	58 minutes	2 minutes	90	3 hours
ORAS NG HIMALA / Jesus is Our Shield Worldwide Ministries	62 minutes	58 minutes	4 minutes	178	11.87 hours
TALITHA KUM HEALING MASS / Saint Peter Community	60 minutes	58 minutes	2 minutes	25	50 minutes
THE MEDYO LATE NIGHT SHOW WITH JOJO A / Jojo A Group 4, Inc	30 minutes	29 minutes	1 minute	45	45 minutes
CO-PRODUCTION PROGRAMS					
BEN TULFO UNFILTERED / Bitag Media Unlimited, Inc. (BMUI)	28 minutes	26 minutes	2 minutes	78	2.6 hours
BITAG LIVE / Bitag Media Unlimited, Inc. (BMUI)	56 minutes	55 minutes	1 minute	127	2.12 hours
BITAG NEW GENERATION / Bitag Media Unlimited, Inc. (BMUI)	58 minutes	55 minutes	3 minutes	25	1.25 hours
PINOY US COPS RIDE ALONG / Bitag Media Unlimited, Inc. (BMUI)	29 minutes	28 minutes	1 minute	17	17 minutes
TULAY / Monday Times Corporation (MTC)	31 minutes	25 minutes	6 minutes	23	2.3 hours

**Agreed airtime less PTNI commercial allotment*

11.3 Based on the number of episodes where excess airtimes were evident as shown in Table 15, it appeared that there was no close/strict monitoring by the Network with regard to the actual airtime consumed by each program as agreed in the MOA/BC/TO.

11.4 Likewise, it was noted that no overtime fees have been charged to these programs where the agreed airtime was exceeded. The additional airtime could have been utilized by the Network for other TV programs or commercial spots in which revenue could have been generated.

11.5 **We recommended and Management agreed to:**

a. Monitor strictly the actual airtime consumed by each TV program as provided for in the MOA/BC/TO; and

b. Impose overtime charges/fees on TV programs which exceeded the agreed airtime.

11.6 In addition, Management informed that for taped programs, the Network's Programming Department has been returning overtime materials to producers or blocktimers for them to re-edit their materials to conform with the prescribed running time and to avoid overtime.

12. The Memoranda of Agreement (MOAs) entered into by PTNI for various TV programs for the period January to June 2018 were not executed or finalized before their effectivity or broadcast period, which was not a sound internal control or best business/industry practice.

12.1 A contract reduced into a written agreement is the best document to manifest and ascertain what both parties commit or guarantee to do in any business transaction. Apart from making the agreement between concerned parties clearly binding, the written contract can also serve as proof in the event of misunderstandings, complaints or disputes. A written contract is important because it outlines expectations for both parties as well as protect both if those expectations are not met and locked in the price that will be paid for services to be rendered.

12.2 However, audit revealed that MOAs for various TV programs broadcasted by the Network during the period January to June 2018 were not executed or finalized before their effectivity or broadcast period of the program. Details are presented in Table 16.

Table 16 – MOAs not executed before the Broadcast Period of the TV Programs

Program / Producer	MOA No.	Execution Date	Effectivity or Duration	Elapsed Period
BEN TULFO UNFILTERED / Bitag Media Unlimited, Inc. (BMUI)	2018-013	August 14, 2018	January 1 to May 31, 2018	7.5 months
BITAG LIVE / Bitag Media Unlimited, Inc. (BMUI)	2018-016	July 11, 2018	January 1 to December 31, 2018	6.37 months
BITAG NEW GENERATION / Bitag Media Unlimited, Inc. (BMUI)	2018-015	June 13, 2018	January 1 to December 31, 2018	5.43 months
BIZNEWS / Biznews Asia Philippines	2018-003	June 8, 2018	January 29 to July 31, 2018	4.33 months
CRIME DESK / Bitag Media Unlimited, Inc. (BMUI)	2018-014	June 13, 2018	January 1 to December 31, 2018	5.43 months
KAKAIBANG LUNAS / Bitag Media Unlimited, Inc. (BMUI)	2018-009	June 13, 2018	January 1 to May 31, 2018	5.43 months
KASANGGA MO ANG LANGIT / Heavenly Images Production for Television, Inc.	2018-001	March 6, 2018	January 1 to March 30, 2018	2.13 months
KASANGGA MO ANG LANGIT / Heavenly Images Production for Television, Inc.	2018-010	June 13, 2018	April 1 to June 30, 2018	2.43 months
LOTTO DRAW / Philippine Charity Sweepstakes Office (PCSO)	*Not indicated*	February 14, 2019	August 1 to December 31, 2018	6.57 months
PINOY US COPS RIDE ALONG / Bitag Media Unlimited, Inc. (BMUI)	2018-008	June 13, 2018	January 1 to May 31, 2018	5.43 months
THE DOCTOR IS IN / Department of Health (DOH)	GOP-C-2018-005	September 3, 2018	January 1 to December 31, 2018	8.17 months
TULAY / Monday Times Corporation (MTC)	2018-002	June 4, 2018	January 14 to March 31, 2018	4.7 months
TULAY / Monday Times Corporation (MTC)	2018-012	June 8, 2018	April 1 to June 30, 2018	2.27 months

12.3 Per inquiry, the preparation of the MOA and obtaining the signatures of the concerned parties usually took a long time; hence, the delay in the execution or finalization of the same.

12.4 **We recommended and Management agreed to:**

a. **Expedite the preparation and finalization of MOA; and**

b. **Ensure that a valid and existing written agreement is available before the broadcast of the TV programs.**

12.5 In addition, Management explained that agreements with government agencies are more complex in the sense that their co-producers/agency partners have a timetable within which to air and implement their programs/projects. They are, however, limited by the procurement process which causes the delay in the release of the MOAs. The Network has looked into the matter and recently required a government agency to submit a signed Letter of Commitment before it can cause the airing of its program. Management assures the Audit Team that such will be implemented from hereon to protect the Agency from risks involved in the airing of a program before a MOA is finalized.

12.6 As a rejoinder, the Audit Team appreciated the assurance of PTNI Management to implement the recommendation from hereon. Their full compliance will be monitored in the CY 2020 audit.

13. Payments of electricity expenses of the Provincial Stations for CY 2019 in the total amount of P3.213 million were not supported with Official Receipts or machine validated Statement of Account/Bill, contrary to Section 4(6) of PD No. 1445 and Section 6.1 of COA Circular No. 2012-001 dated June 14, 2012.

13.1 Section 4(6) of PD No. 1445 states that:

Claims against government funds shall be supported with complete documentation.

13.2 Further, Section 6.1- Utility Expense of COA Circular No. 2012-001 dated June 14, 2012 provides that:

Documentary Requirements

- *Statement of Account/Bill*
- *Invoice/Official Receipt or machine validated statement of account/bill*

13.3 Post audit of the DVs for CY 2019 disclosed that payments made for electricity expenses of the Provincial Stations of PTNI in the total amount of P3.213 million were not supported with Official Receipts or machine validated Statement of Account/Bill, details are shown in Table 17.

Table 17 – Summary of Payments

Provincial Stations	Amount
Baguio Station	P 451,263.48
Calbalyog Station	11,966.73
Cebu Station	1,564,122.78
Cotabato Station	799.25
Davao Station	956,897.85
Naga Station	190,769.27
Palawan Station	9,259.62
Tacloban Station	27,709.08
Total	**P3,212,788.06**

13.4 Inquiry with the Cashier with regard to the processing of payments of the electricity expenses of the Provincial Stations disclosed that DVs are prepared upon receipt of the Statement of Account/Bill from Provincial Stations. The budget utilization request together with the Statement of Account/bill and a certification duly signed by the Officer in Charge or a Station Supervisor and duly noted by the Provincial Network Division are attached to the DVs to process the payment. Once the payments are processed, a staff from the Provincial Network Division claims the checks and mails them thru a courier to the Provincial Stations for them to make payment to the utility company or makes a deposit to the bank for the account of the latter.

13.5 However, the Official Receipt issued by the electric company as a proof of payment was not sent back to the Cashier to support the payment made; thus, the DVs forwarded to the Audit Team for post audit were not supported with Official Receipts or machine validated Statement of Accounts/Bills showing proof of payment.

13.6 The practice of not attaching the Official Receipts or machine validated Statement of Accounts/Bills to the DVs as a proof of payment was contrary to Section 4(6) of PD No. 1445 and Section 6.1 of COA Circular No. 2012-001 dated June 14, 2012.

13.7 **We recommended and Management agreed to require the Provincial Stations to submit the Official Receipts or machine validated Statement of Accounts/Bills as proof of payment of electricity expenses, in compliance with Section 4(6) of PD No. 1445 and Section 6.1 of COA Circular No. 2012-001 dated June 14, 2012.**

13.8 Management further committed to submit the required Official Receipts for the electricity expenses within 30 days from the conduct of the Exit Conference.

14. Cash advances for local travel were not liquidated within 30 days after the return of the concerned personnel to their permanent official stations, contrary to COA Circular No. 97-002 dated February 10, 1997. Likewise, the granting and liquidation of cash advances were not supported with proper documentation, contrary to COA Circular No. 2012-001 dated June 14, 2012.

Cash advances (CAs) for local travel were not liquidated within 30 days after the return of the concerned personnel to their permanent official stations

14.1 Section 5.1.3 of COA Circular No. 97-002 dated February 10, 1997 (Rules and Regulations on the granting, utilization and liquidation of cash advances) provides that: "*Official Travel – within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in case of local travel*."

14.2 Review of the liquidation of the CAs relative to local travels revealed that various CAs were not liquidated within 30 days after return of the concerned personnel to their permanent official stations. Details are presented on Table 18.

Table 18 – CAs for Local Travel Liquidated Beyond 30 days

Liquidation Report No.	Destination	Dates of Travel	Date of check/ grant of CA	CA Amount	Date of Liquidation	No. of days lapsed before liquidation
19-001-001	Davao City	10/ 24-28/18	10/18/18	P 27,920.00	2/28/19	123
19-001-002	Davao City	5/ 24-26/18	5/23/18	12,400.00	2/27/19	277
19-001-005	Tacloban	10/ 30 -11/ 2/18	10/25/18	32,000.00	1/29/19	88
19-001-006	Marawi	12/ 26-31/17	12/21/17	92,800.00	2/18/19	414
19-001-008	Tacloban	9/ 20-23/18	9/14/18	16,840.00	1/29/19	128
19-001-010	Cebu	10/29-31/18	10/29/18	33,400.00	1/10/19	71
19-001-012	Manila	9/ 25-26/18	9/21/18	37,300.00	2/20/19	147
19-001-013	Baguio	9/28- 10/ 3/18	9/27/18	217,837.00	2/20/19	140
19-001-016	Cotabato	1/19-22/19	1/11/19	110,200.00	2/28/19	37
19-001-018	Quezon Province	1/ 22-23/19	1/18/19	16,000.00	3/4/19	40
19-003-011	Guimaras	3/11-12/19	3/8/19	30,420.00	4/12/19	31
19-003-028	Quezon Province	3/22-24/19	3/20/19	24,200.00	4/24/19	31
19-004-025	Capiz	4/12-15/19	4/11/19	8,200.00	5/21/19	36
Total				**P659,517.00**		

14.3 As shown in Table 18, it was noted that CAs were liquidated ranging from 31 to 414 days after return to the permanent official station or completion of the local travel; thus, contrary to Section 5.1.3 of COA Circular No. 97-002.

Granting and liquidation of CAs were not supported with proper documentation

14.4 Section 1.1 of COA Circular No. 2012-001 (*Revised Documentary Requirements for Common Government Transactions*) dated June 14, 2012 set forth the documentary requirements that are common to all CAs; except for CAs for local/foreign travels, these include: (a) authority of the Accountable Officer (AO) issued by the Head of Agency or his duly authorized representative indicating the maximum accountability and purpose of CA (for initial CA); b) certification from the Accountant that previous CA has been liquidated and accounted for in the books; and (c) approved application for bond and/or fidelity bond for the year for cash accountability of P2,000 or more.

14.5 Post-audit disclosed that all CAs granted were not supported with Certification from the Accountant that previous CA has been liquidated and accounted for in the books.

14.6 Likewise, it was noted that CAs for petty cash as well as for field/activity current operating expenditures (COE) amounting to P2,000 and above, the concerned AOs have no approved bond.

14.7 Interview with the concerned employee of the Finance Division revealed that several AOs already have approved applications for bond from the Bureau of the Treasury. However, verification of documents showed that not all AOs were bonded.

14.8 **We recommended and Management agreed to:**

a. Require the concerned accountable officers to liquidate their cash advances for local travel within 30 days after return to permanent official station in compliance with Section 5.1.3 of COA Circular No. 97-002; and

b. Comply strictly with the required documentary requirements in the grant and liquidation of cash advances.

14.9 Management also informed that demand letters will be sent to accountable officers with unliquidated cash advances.

15. Actual claims for daily travel expenses (DTE) for local travels exceeded the rates allowed under Executive Order (EO) No. 298 (s. 2004) and as amended by EO No. 77 effective March 15, 2019 by at least P748,079 and P45,599, respectively.

15.1 Section 4 of EO No. 298, s. 2004 provided that the allowable travel expenses of government personnel regardless of rank and destination shall be in the amount of Eight Hundred Pesos (P800.00) per day. Claims for reimbursement of actual travel expenses may be allowed only upon certification from the head of agency concerned as necessary in the performance of an assignment and presentation of bills and receipts. Same Section further provided that the entitlement to travel expenses shall start only upon arrival at the place of destination and shall cease upon departure therefrom at the following percentage presented in Table 19.

Table 19 – Apportioned Travel Expenses per EO 298, s. 2004

Particulars	Percentage	To Cover
Arrival not later than 12:00 noon	100%	Hotel/lodging (50%); meals (30%) and incidental expenses (20%)
Arrival after 12:00 noon	80%	Hotel/lodging (50%); dinner (10%) and incidental expenses (20%)
Departure before 12:00 noon	30%	Breakfast (10%) and incidental expenses (20%)
Departure at 12:00 noon and later	40%	Breakfast (10%), lunch (10%) and incidental expenses (20%)

15.2 Section 5(b)(i) of EO No. 77, which took effect on March 15, 2019, provided the amended maximum allowable Daily Travel Expenses (DTE) of government personnel, regardless of rank and position, as presented in Table 20.

Table 20 – Daily Travel Expenses (DTE) per EO No. 77

	Destination	Maximum DTE
Cluster I	Region I Region II Region III Region V Region VIII Region IX Region XII Region XIII ARMM	P1,500
Cluster II	Cordillera Administrative Region Region VI Region VII Region X Region XI	P1,800
Cluster III	National Capital Region Region IV-A Region IV-B	P2,200

15.3 Apportionment of the allowable DTE is provided for in Section 5(c) of EO No. 77 as presented in Table 21.

Table 21 – Apportioned Travel Expenses per EO No. 77

Particulars	Percentage	To Cover
Day of arrival at point of destination (regardless of time) and succeeding day/s thereof on official business	100%	Hotel/lodging (50%), meals (30%), and incidental expenses (20%)
Day of departure for permanent official station (regardless of time) if other than date of arrival	50%	Meals (30%) and incidental expenses (20%)

15.4 Post audit of the liquidation reports on CAs for the period covering January to April 2019 revealed that actual expenses on various CAs for local travels were more than the allowed rates per afore-mentioned regulations. These resulted in excessive claim of P793,678 as shown in Table 22.

Table 22 – Comparison of Actual vs. Allowed Travel Expenses

Particulars	Actual Claim	Allowed	Excess Claim
Per EO No. 298			
Hotel accommodations	P 491,902	P 118,510	P 373,392
Per diems	218,600	198,380	20,220
Other expenses	579,549	225,082	354,467
Sub-total	**1,290,051**	**541,972**	**748,079**
Per EO No. 77 (effective 03/15/19)			
Hotel accommodations	106,735	104,328	2,407
Per diems	215,500	208,092	7,408
Other expenses	100,783	64,999	35,784
Sub-total	**423,018**	**377,419**	**45,599**
Total			
Hotel accommodations	598,637	222,838	375,799
Per diems	434,100	406,472	27,628
Other expenses	680,332	290,081	390,251
TOTAL	**P1,713,069**	**P 919,391**	**P 793,678**

15.5 Although the claim for actual hotel accommodations and other travel expenses may be allowed, this is subject to the submission of a certification from the Head of Agency on its necessity duly supported with the original bills and receipts. It was noted that most of the CAs presented in Table 22 which included actual expenses were not supported by said certification. Furthermore, re-computation of per diems for these travels also revealed excessive claims as compared to the rates and apportionments presented in Tables 19, 20 and 21.

15.6 Other expenses were composed mainly of transportation, communication, and other contingent expenses, but P386,657 of these were found to be excessive and some were not even supported by receipts, i.e. claims for P198,000 van rental could not be verified due to lack of receipts; P55,833 paid for fuel of van rental and service cars were not supported with trip tickets; P30,935 for plane fare had no receipt; and P101,889 for meals and incidental expenses were claimed in addition to per diem.

15.7 **We recommended and Management agreed to:**

a. **Comply strictly with EO No. 298 (s. 2004), as amended by EO No. 77 effective March 15, 2019 relative to the allowed rates for daily travel expenses;**

b. **Submit a certification from the agency head for every official travel that the claim of actual hotel/lodging and other incidental expenses is necessary in the performance of assignment; and**

c. **Require the Finance Division to verify the validity of expenses claimed and ensure that liquidation reports are properly supported with original bills and/or receipts.**

GENDER AND DEVELOPMENT (GAD)

16. The PTNI had submitted its CY 2019 consolidated GAD Plan and Budget (GPB) to the Philippine Commission on Women (PCW) for review and endorsement, but it was unable to resubmit the revised GPB to PCW within the prescribed period; thus, the Network had no CY 2019 PCW-endorsed GPB, contrary to Joint Circular No. 2012-01 issued by the PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM). Likewise, the P16 million GAD budget for CY 2019 was below the five per cent (5%) of the DBM-approved Corporate Operating Budget (COB) of the Network.

16.1 This is a reiteration with updates of prior year's audit observation as Management was not able to implement the corresponding recommendations.

16.2 Items 7.v and 7.vii of the PCW-NEDA-DBM Joint Circular No. 2012-01 relative to the timeline to be observed in GAD planning and budgeting provide:

> *7.v January (1 year before budget year) –Submission of reviewed GPBs and ARs to PCW xxx*
>
> *7.vii March - Line departments or central offices submit revised GPBs to PCW. PCW approves and endorses all revised GPBs and returns them to the concerned offices for submission to DBM in time for the budget submission xxx.*

16.3 Likewise, Item 6.1 of the same Joint Circular provides that:

> *6.1 At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO) and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.*

16.4 Further, Paragraph 8.5 thereof states that:

> *8.5 PCW shall acknowledge in writing receipt of the GPBs within two (2) working days. It shall then review and inform the agency of its comments or action on the GAD plans within fifteen (15) working days. If there are revisions to be made or questions to be answered about the submissions, the agency shall be given thirty (30) days to resubmit the GPB. Upon receipt and acceptance of the revised GPBs, PCW shall endorse all revised GPBs and return these to the different line departments or central agencies for their submission to DBM.*

16.5 Verification of the documents disclosed that PTNI submitted its consolidated CY 2019 GPB to the PCW; however, the same was returned with comments and recommendations for revision. It was noted that PTNI was not able to resubmit the revised consolidated CY 2019 GPB for review and endorsement by the PCW.

16.6 Inquiry from the member of the GAD Focal Point System (GFPS) disclosed that the required revisions on the CY 2019 GPB based on the comments and recommendations of PCW were complied with, but the prescribed period to resubmit the GPB had already lapsed.

16.7 Further verification revealed that the allotted budget for PTNI's GAD programs, activities and projects (PAPs) for CY 2019 was only P16 million or 1.50 per cent of its DBM-approved COB amounting to P1,068.661 million.

16.8 Thus, the inability to secure endorsement by the PCW of the CY 2019 GPB of the Network and the non-allocation of the five per cent (5%) of the COB for GAD PAPs were contrary to PCW-NEDA-DBM Joint Circular No. 2012-01. Likewise, in the absence of a PCW-endorsed GPB, the Audit Team could not properly evaluate whether the GAD PAPs implemented in CY 2019 were related to and addressed the PTNI's gender issues.

16.9 **We reiterated our previous year's recommendations and Management agreed to:**

a. Submit the duly revised GPB to the PCW within the prescribed period to obtain a PCW-endorsed GPB; and

b. Comply strictly with the requirement of at least 5% of the COB be allocated for GAD Programs, Activities and Projects as provided under PCW-NEDA-DBM Joint Circular No. 2012-01.

16.10 Management further informed that the Network is set to reconstitute the GAD Focal Point System since the previous GAD Focal Point person is no longer connected with the Network.

COMPLIANCE WITH TAX LAWS

17. The PTNI did not remit to the Bureau of Internal Revenue (BIR) the total amount of P341.284 million representing taxes withheld in prior years, contrary to pertinent BIR Regulations.

17.1 For CY 2019, PTNI had consistently withheld the corresponding taxes on salaries/wages and other benefits paid to its officers and employees as well as on payment of goods and services and remitted said withholding taxes to the BIR.

17.2 However, the taxes withheld pertaining to prior years amounting to P341.284 million were still not remitted to the BIR.

17.3 Management informed that per dialogue with the BIR personnel, PTNI is required to remit monthly to the Bureau the taxes withheld from any source until the final reconciliation of the total amount due on unremitted taxes including interest, penalties and surcharges is made.

17.4 **We reiterated our previous year's recommendation that Management remit to the BIR all taxes withheld within the prescribed period to avoid payment of interest, penalties and surcharges.**

COMPLIANCE WITH THE GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH) AND PAG-IBIG LAWS.

18. PTNI did not remit the total amount of P6.871 million, P7.125 million and P485,198 to the GSIS, PhilHealth and Pag-IBIG, respectively, representing premiums/contributions/loan payments withheld from salaries of employees, contrary to Section 6 of GSIS Act, Section 11 of PhilHealth Act and Section E.4 of Home Development Mutual Fund (HDMF) Circular No. 275.

18.1 Section 6 of the Implementing Rules and Regulations on RA No. 8291 (GSIS Act of 1997), provides that:

> *Collections and Remittance of Contributions. (a) The employer shall report to the GSIS the names of all its employees, their corresponding employment status, positions, salaries and such other pertinent information, including subsequent changes therein, if any, as may be required by the GSIS; the employer shall deduct each month from the monthly salary or compensation of each employee the contribution payable by him in accordance with the schedule prescribed in the rules and regulations implementing this Act.*
>
> *Each employer shall remit directly to the GSIS the employees' and employers' contributions within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the employer of the contributions to the GSIS shall take priority over the above the payment of any and all obligations, except salaries and wages of its employees.*

18.2 Section 11 of PhilHealth Act provides that: "*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."*

18.3 Section E.4 of HDMF Circular No. 275 provides that: *"Employers shall remit the required monthly employer and employee contributions to the nearest Pag-IBIG branch or its authorized collecting banks, together with the duly accomplished Membership Contribution Remittance Form (MCRF) from 10th to the end of the month following the period covered."*

18.4 The PTNI has consistently withheld from the salaries of its employees the GSIS, PhilHealth and Pag-IBIG premiums, contributions and loan payments. However, only the amounts withheld in the current year were remitted to the concerned agencies.

18.5 Based on records, the PTNI did not remit the total amount of P6.871 million, P7.125 million and P485,198 to the GSIS, PhilHealth and Pag-

IBIG, respectively, contrary to the afore-cited Section 6 of GSIS Act, Section 11 of PhilHealth Act and Section E.4 of Home Development Mutual Fund (HDMF) Circular No. 275.

18.6 The amounts withheld for PhilHealth and Pag-IBIG prior to CY 2019, were not remitted to the said agencies due to financial difficulties. For the amount withheld for GSIS, the PTNI availed of the condonation program of GSIS, for unpaid obligation payable monthly up to February 2019 and the balance will be paid by way of media values per Memorandum of Agreement between the Network and the GSIS.

18.7 **We recommended that Management remit all GSIS, PhilHealth and Pag-IBIG premium contributions collected/withheld pursuant to Section 6 of the GSIS Act, Section 11 of PhilHealth Act and Section E.4 of HDMF Circular No. 275.**

COMPLIANCE WITH PROPERTY INSURANCE LAW

19. Verification of documents pertaining to PTNI's insurable properties showed that the buildings, equipment and motor vehicles were insured with the GSIS per Policy No. 1000590486 for the period covered February 12, 2019 to February 12, 2020, in compliance with RA No. 656, otherwise known as the "Property Insurance Law," as amended by the PD No. 245 dated July 13, 1973.

SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

20. Based on the Statement of Audit Suspensions, Disallowances and Charges (SASDC) issued as of December 31, 2019, the unsettled audit disallowances amounted to P96.568 million, of which P285,904 was already covered by a Notice of Finality of Decision (NFD), P96.252 million are on appeal, P30,000 for salary deduction and P500 was uncollected disallowance from a deceased employee. The unsettled audit suspensions as of December 31, 2019 amounted to P63.285 million. Details are shown Table 23.

Table 23 – Unsettled Notices of Disallowance (ND) and Notices of Suspension (NS)

ND/NS No.	Particulars	Amount	Remarks/Status
ND#2019-05 (17)	Payment of spot placement in airing DOT Ads to program Kilos Pronto - NS matured into ND	P60,009,560.00	Under appeal
ND#2019-06 (18)	Payment of spot placement in airing DOT Ads to program Kilos Pronto - NS matured into ND	15,789,133.70	Under appeal
ND# 2019-04 (17)	Payment of non-existent parking lot extension	1,300,172.82	Under appeal
ND#2019-02 (18)	Payment of Economic Relief Allowance (ERA) to PTNI officials and employees	7,906,500.00	Under appeal

ND/NS No.	Particulars	Amount	Remarks/Status
ND#2019-01 (17)	Payment of SEA games bonus & Economic Relief Allowance - NS matured into ND	10,456,300.00	Under appeal
ND#2010-013-229(2009)	Purchase of Switcher	285,904.00	With NFD
ND#2009-001-713-720(2009)	Payment of RATA, services of OGCC lawyers, Liquidation of travel expenses – NS matured into ND	789,971.46	Under appeal
ND#2011-001(10)	Liquidation of travel exp – NS matured in ND	500.00	Deceased employee
ND#2018-01(17)	Payment of BAC honoraria to COS employees	30,000.00	For salary deduction
Total NDs		**P96,568,041.98**	
NS#2018-04(17)	Disbursements from ASEAN Project Fund	P62,110,879.00	Compliance under evaluation
NS#2018-01(17)	Cash advance from ASEAN Fund	1,174,124.78	Compliance under evaluation
Total NSs		**P63,285,003.78**	

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 39 audit recommendations embodied in the previous year's Annual Audit Report (AAR), five (5) were fully implemented, 23 were partially implemented and 11 were not implemented. Details as follows:

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
AAR 2018 **Financial** Audit Observation (AO) No. 1 Page 54	The faithful representation of the balance of the Cash in Bank account in the amount of P193.875 million as at December 31, 2018 was not established due to the variances totaling P21.772 million between the balance per books and confirmed bank balances, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and the non-preparation of Bank Reconciliation Statements (BRSs) for some of the bank accounts contrary to Section 74 of Presidential Decree (PD) No. 1445.	We reiterated our prior year's audit recommendations that Management require the Finance Department to:	
		a. Exert all efforts to determine the causes of the variances, review/analyze the reconciling items, and effect necessary adjustments in the books for fair presentation of the Cash in Bank account in the financial statements; and	Partially Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 1 of this Report.
		b. Prepare BRS for all the bank accounts of PTNI in order to determine reconciling items that need to be effected in the books to arrive at reconciled book and bank balances.	Partially Implemented.
AO No. 2 Page 56	The faithful representation of the Property, Plant and Equipment (PPE) account with carrying amount of P1.859 billion was not established due to: (a) non-completion of the physical inventory taking which is not in accordance with COA Circular No. 80-124 dated	We reiterated our prior year's audit recommendations that Management:	
		a. Ensure that the conduct of the annual physical inventory taking of PPE is completed, a corresponding RPCPPE is prepared and a copy of which is submitted to the	Partially Implemented. Updated and reiterated in Part II – Observation and Recommendation

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	January 18, 1980 hence, the existence of the PPE items could not be ascertained; (b) over provision of depreciation of P14.680 million on Office/IT Equipment; (c) inclusion of unserviceable properties costing P2.052 million, contrary to Paragraph 82 of Philippine Public Sector Accounting Standard (PPSAS) 17; and (d) inadequate maintenance of PPE Ledger Cards (PPELCs) by the Accounting Section and Property Cards (PCs) by the Property Section.	Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980;	No. 2 of this Report.
		b. Direct the Disposal Committee to facilitate the immediate disposal of the unserviceable PPE items to enable the Accounting Section to derecognize these properties from the books; and	Partially Implemented.
		c. Require the Accounting and Property Sections to maintain PPELCs and PCs, respectively, for each item of PPE to facilitate reconciliation of the PPE accounts.	Partially Implemented.
		We further recommended that Management instruct the Accounting Section to analyze the over provision of depreciation on Office Equipment account and make the necessary adjustments in the books to reflect the accurate balance thereof.	Partially Implemented
Compliance			
AO No. 3 Page 60	PTNI could have earned P42.517 million additional airtime revenues had airtime rates been billed/charged to TV Shop program in accordance with the approved PTNI Airtime Rate Card; thus, depriving the Network of funds to be used in its operations or interest that could have been earned had the amount been collected and placed in	We recommended that Management:	
		a. Hold liable the signatories of Broadcast Contracts without Board approval; and	Partially Implemented. The matter is being studied thoroughly.
		b. Strictly comply with the PTNI Approved Airtime Rate Cards and the	Partially Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	time deposits or short-term investments.	Programming Guidelines for Blocktimers for the discounts in granting airtime rates to blocktimers.	
AO No. 4 Page 61	Provisions of the Memorandum of Agreement (MOA) executed by and between the PTNI and the Presidential Communications Operations Office (PCOO) relative to the funds transferred by the latter amounting to P39.267 million in connection with the Philippine Chairmanship of the ASEAN and the celebratory activities for the 50th ASEAN Founding Anniversary for 2017, were not carried out by PTNI such as: (a) trust account was not opened by PTNI for the transferred funds, but was deposited (commingled) on its general fund bank account; (b) separate books of accounts were not maintained for the said transfer and the corresponding disbursements thereof; and (c) monthly reports were not prepared and submitted as well as a terminal report at the end of the Philippine ASEAN Chairmanship, resulting in the difficulty of monitoring the utilization and status of funds.	We recommended and Management agreed to:	
		a. Require the Accounting Section to identify all transactions and disbursements pertaining to the programs, projects, and activities undertaken by PTNI for the Philippine ASEAN Chairmanship and the 50th ASEAN Founding Anniversary for 2017 as well as determine the remaining/ unutilized balance of the fund, if any;	Partially Implemented.
		b. Ensure that all transactions and disbursements pertaining to the trust fund are properly/completely supported or documented;	Partially Implemented.
		c. Prepare Terminal Report based on identified transactions and disbursements pursuant to Item B.7.c of the MOA; and	Partially Implemented.
		d. Submit liquidation reports to the PCOO together with the refund for the unexpended balance of the fund transferred, if any.	Partially Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
AO No. 5 Page 64	GSIS loan deductions from the salaries of the employees totaling P3.321 million which were paid/settled by PTNI with the GSIS through offsetting of its income from media values, specifically the GSIS Hour Program with the Network, were improperly refunded/returned to the employees; hence, constitutes irregular disbursement of government funds and depriving the Network of the use of the funds or the interest that could be earned had the money been deposited or placed in short-term investments.	We recommended that Management:	
		a. Require the employees concerned to return the amount refunded by PTNI representing the GSIS consolidated loan payments deducted from their salary, otherwise, hold liable the officers who approved the refund thereof or a Notice of Disallowance shall be issued in this regard; and	Partially Implemented. Advances to Officers and Employees has been recognized in the books but no collection has been made yet.
		b. Comply with the provisions as stated under Section 6(b) of RA No. 8291 with regard to the mandatory obligations of employer to regularly remit to the GSIS not only the loan payments but also the compulsory premium contributions deducted from the salaries of its employees.	Partially Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 18 of this Report.
AO No. 6 Page 68	The legality, validity and accuracy of the payments in the total amount of P89.680 million for the salaries of contractual and contract of service (COS) personnel of PTNI for the period January 2018 to December 2018 could not be ascertained due to non-submission of the documentary requirements such as Daily Time Records (DTRs), Contracts of Service and Accomplishment Reports, as required under Section 4(6) of Presidential Decree (PD) No. 1445	We recommended and Management agreed to submit the documentary requirements for the payments of salaries of contractual and COS employees; otherwise, a Notice of Suspension will be issued.	Partially Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 8 of this Report.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	and COA Circular No. 2012-001 dated June 14, 2012.		
AO No. 7 Page 69	Payment of honoraria in the total amount of P1.413 million to Contract of Service (COS) personnel for the services rendered during the ASEAN 2017 Network's coverage was contrary to Item a, Paragraph C of the Memorandum of Agreement (MOA) entered into by and between the Presidential Communications Operations Office (PCOO) and People's Television Network, Inc. (PTNI) and resulted in additional expense to the government.	We recommended that Management require the refund of the amount paid as honoraria to concerned COS personnel to avoid issuance of the Notice of Disallowance.	Not Implemented. For issuance of Notice of Disallowance.
AO No. 8 Page 70	Payments made in the total amount of US$220,130 or P11.649 million to APT Satellite Company Inc. (APSTAR) for CY 2018 were not proper due to: (a) payment of occasional utilization fee amounting to US$85,730 or P4.524 million without contract contrary to Section 4(6) of PD No. 1445 (b) payment in foreign currency in the total amount of US$220,130 contrary to Sections 61.1 and 61.4 of the Revised Implementing Rules and Regulations (IRR) of RA No. 9184 and resulted in additional cost to PTNI in the amount of P75,738 due to bank charges,	We recommended that Management: a. Strictly comply with the provisions of Section 4 of PD No. 1445; henceforth, ensure that all disbursements are supported with complete documentation to avoid audit suspension or disallowance in audit; b. Hold liable the officers who allowed the payment of Occasional Utilization Fee to APSTAR despite the absence of a Contract and, in the succeeding payment to the Contractor see to it that this is covered by a contract;	Not Implemented Updated and reiterated in Part II – Observation and Recommendation No. 5 of this Report. Not Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	commission fees and documentary stamps as well as foreign exchange loss; and (c) non-provision in the contract of applicable taxes resulted in the loss of revenue to National Government in the amount of US$43,200.	c. Require the BAC that all procurements of goods and services shall be done through public bidding in accordance with Section 10, Rule IV of RA No. 9184;	Partially Implemented. Action to be taken prospectively.
		d. Hold the BAC accountable for the additional costs/expenses that PTNI had incurred in view of the payments made to APSTAR in US Dollar instead of Peso; and	Not Implemented.
		e. Hold liable the APSTAR and the PTNI General Manager concerned for signing the contract net of VAT and, ensure that the provisions in the contracts are consistent with the bidding documents.	Not Implemented. Swift action is deferred as the Network has to deal with external personalities. PTNI is avoiding legal entanglements.
AO No. 9 Page 74	The payment of janitorial services in the amount of P2.373 million for CY 2018 under a job order contract was contrary to Section 10 of the Revised Implementing Rules and Regulations (IRR) of RA No. 9184.	We recommended and Management agreed to:	
		a. Stop the practice of engaging janitorial services without undergoing the procurement process prescribed under RA No. 9184 and its Revised IRR; and	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 6 of this Report.
		b. Conduct public bidding on the procurement of janitorial services.	Not Implemented.
AO No. 10 Page 75	Procurement of motor vehicles in the total amount of P13.282 million was without the required approval from the Office of the	We recommended that Management submit approval from the Office of the President on the purchase of motor vehicles to avoid issuance of Notice	Not Implemented. For issuance of Notice of Suspension.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	President (OP), contrary to Department of Budget and Management (DBM) Budget Circular No. 2010-2 dated March 1, 2010.	of Suspension (NS) and a Notice of Disallowance (ND) if not complied within 90 days from date of receipt of the NS.	
AO No. 11 Page 76	PTNI paid in full the amount of P14.980 million to e-Copy Corporation and accepted the Management Information System/ Enterprise Resource Planning (MIS/ERP) Project from the latter despite PTNI's non-supply of the required data needed for the standard testing, which made the Project non-operational/unutilized and might result in loss or wastage of government resources and deprive the intended users of the benefits of using the System for its operations. Likewise, the equipment such as desktop computers and servers that are components of the MIS/ERP remained idle or unutilized, exposing these properties to deterioration contrary to Section 2 of PD No. 1445.	We recommended that Management:	
		a. Strictly comply with Section 2 of PD No. 1445, on the effective, efficient and economical use of government funds and resources;	Fully Implemented.
		b. Require the concerned users of every module of the Project to supply the needed data to e-Copy Corporation and coordinate with the latter to facilitate the standard testing of each module with the end view that the Project will be operational;	Partially Implemented. The Network is still ironing some kinks to ensure full utilization of the System.
		c. Require the IT Supervisor to ensure the completion of the System/Project in accordance with the terms and conditions of the contract so that the end-users will benefit from it and the properties acquired for this System/Project will be put to use; and	Partially Implemented.
		d. Determine the liability of the officers/personnel concerned who accepted and issued the Certificates of Completion and Acceptance despite the MIS/ERP is not yet	Not Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
		fully operational.	
AO No. 12 Page 78	The propriety of the procurements made by PTNI for CY 2018 cannot be established due to the absence of an Annual Procurement Plan (APP), contrary to Section 7.2, Rule II of the Revised Implementing Rules and Regulations (IRR) of RA No. 9184. Likewise, expenditures incurred in the total amount of P282.271 million were without authorized budget which is inconsistent with Sections 3.1 and 6.4 of the Corporate Budget Circular No. 20 dated April 27, 2005.	We recommended that Management:	
		a. Make representation with the Office of the President thru the Presidential Communications Operations Office (PCOO) for the designation of the Members of the Governing Board; and	Fully Implemented.
		b. Henceforth, strictly comply with Section 7.2, Rule II of the Revised the IRR of RA No. 9184; and Sections 3.1 and 6.4 of the Corporate Budget Circular (CBC) No. 20 dated April 27, 2005.	Fully Implemented.
AO No. 13 Page 79	Integrated Broadcast HD-SDI Studio Facility costing P48.446 million for Naga and Cotabato Provincial Stations remained idle for four years in the PTNI Central Office storeroom, contrary to Item 8, Annex of C of COA Circular No. 2012-003 dated October 29, 2012, exposing these assets to risk of loss, outdated, obsolescence and deterioration.	We recommended that Management:	
		a. Plan meticulously and judiciously the procurement of PPEs in compliance with the Revised IRR of RA No. 9184;	Fully Implemented.
		b. Strictly comply with COA Circular No. 2012-003 to avoid the issuance of Notice of Disallowance for unnecessary expenditures; and	Fully Implemented.
		c. Hold liable the officers who allowed the procurement of the Integrated Broadcast HD-SDI Studio Facility, as the expenditure is considered unnecessary.	Not Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
AO No. 14 Page 80	The PTNI's CY 2018 budget for Gender and Development (GAD) in the amount of P17.580 million was below the required five (5) per cent of the Corporate Operating Budget as required under Joint Circular No. 2012-01 issued by the Philippine Commission on Women(PCW) - National Economic and Development Authority (NEDA) - Department of Budget and Management (DBM).	We recommended that Management:	
		a. Allocate, through attribution, at least 5% of the total annual COB for the implementation of GAD-related activities as required under PCW-NEDA-DBM Joint Circular No. 2012-01;	Not Implemented. Updated and reiterated in Part II - Observation No. 16 of this Report.
		b. Ensure that the GPB is duly approved by the PTNI GFPS and Head of the Agency and submitted to the PCW on time in compliance with PCW-NEDA-DBM Joint Circular No. 2012-01;	Partially Implemented.
		c. Direct the GAD Focal Point System to: a.1 Plan and require the Heads of implementing department/offices to ensure that GAD PAPs are implemented as planned to attain the GAD objectives; and a.2 Ensure compliance with the guidelines for the preparation of Annual GPB and AR to implement the Magna Carta of Women; and	Partially Implemented.
		d. Maximize the utilization of the GAD funds through the implementation of GAD-related programs and projects in order to attain the objective for which funds were	Partially Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
		provided.	
AO No. 15 Page 82	PTNI did not remit the total amount of P367.382 million to the Bureau of Internal Revenue (BIR) representing taxes withheld in prior years, contrary to BIR Regulation.	We recommended that Management remit to BIR all taxes withheld within the prescribed period to avoid payment of interest, penalties and surcharges.	Partially implemented Updated and reiterated in Part II – Observation and Recommendation No. 17 of this Report.
AO No. 16 Page 82	PTNI did not remit the total amount of to P7.545 million, P6.678 million and P224,484, to GSIS, PhilHealth and Pag-IBIG, respectively, representing premiums/contributions/ loan payments withheld from salaries of employees, contrary to Section 6 of GSIS Act, Section 11 of PhilHealth Act and Section E.4 of HDMF Circular No. 275.	We recommended that Management remit all GSIS, PhilHealth and Pag-IBIG premium contributions collected pursuant to Section 6 of the GSIS Act, Section 11 of PhilHealth Act and Section E.4 of HDMF Circular No. 275.	Partially Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 18 of this Report.