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, 2020 and 2019

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.

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 serves as its policy making body. Its members are appointed by the President of the Philippines and composed of the following:

a. Two (2) members from the Government Sector;
b. Two (2) members from the Private Sector, one of whom shall have at least ten years of experience in the broadcast industry; and
c. One (1) member from the Education Sector.

The PTNI administration is headed by its Network Officer in Charge, Ms. Katherine Chloe S. De Castro, who was appointed on May 16, 2020.

As of December 31, 2020, the Members of the Board were comprised of Ms. Maria Fe Pili Alino (Chairperson), Mr. Julio Onia Castillo, Jr. (Vice-Chairperson), Mr. Ben-Hur Banaag Baniqued (Acting Member), Ms. Julieta C. Lacza (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, 2020: PTV-4 Manila, PTV-8 Baguio and PTV-11 Davao.

As of December 31, 2020, the Network had a total work force of 655 personnel, consisting of the following:

Nature of Appointment	No. of Personnel
Permanent	150
Contractual	6
Contract of Service (Talents)	499
	655

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2020	2019	Increase (Decrease)
Assets	3,299,189,546	2,852,801,951	446,387,595
Liabilities	715,157,791	584,634,634	130,523,157
Net assets/equity	**2,584,031,755**	**2,268,167,317**	**315,864,438**

II. Comparative Financial Performance

	2020	2019	Increase (Decrease)
Revenue	170,501,527	212,574,784	(42,073,257)
Subsidy	615,145,313	385,891,898	229,253,415
Current operating expenses	428,570,458	415,674,586	12,895,872
Non operating income	58,006	781,550	(723,544)
Gains and (losses)	(491,993)	350,119	(842,112)
Net surplus	**356,642,395**	**183,923,765**	**172,718,630**

III. Comparison of 2020 Budget and Actual Amounts

	Approved COB	Actual	Difference Final budget vs Actual
Receipts	553,530,000	785,646,840	(232,116,840)
Payments:			
Personal services	130,242,000	93,331,729	36,910,271
Maintenance and operating expenses	243,826,000	228,939,332	14,886,668
Financial and non-cash expenses			
Capital expenditures	-	106,299,397	(106,299,397)
Net Receipts/(Payments)	**179,462,000**	**357,076,382**	**(177,614,382)**

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts, transactions and operations of the PTNI for Calendar Year (CY) 2020 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). It was aimed to express an opinion on the fairness of presentation of PTNI's financial position, financial performance and cash flows in accordance with International Public Sector Accounting Standards (IPSASs) and, to determine the Network's compliance pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the PTNI for the years ended December 31, 2020 and 2019, in view of the following:

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account of P301.232 million as of December 31, 2020 was not established due to discrepancies totaling P30.926 million (in absolute amount) in the Cash in Bank accounts between the balances per books and as confirmed by the depository banks, mainly because five (5) closed bank accounts in absolute amount totaling P20.828 million are still recorded in the books, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1.

2. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P2.284 billion as of December 31, 2020 was not established due to non-conduct of physical count and no alternative audit procedure could be made to ascertain the existence of the properties due to inadequate maintenance of PPE Ledger Cards (PPELCs) and Property Cards (PCs) and non-completion of physical count of PPE in CY 2019, which disclosed total discrepancy of P579.861 million between the Accounting records and Report on the Physical Count of PPE (RPCPPE). Likewise, the over-provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P20.305 million resulted in the overstatement of Depreciation Expense (for CY 2020) and Accumulated Depreciation in the amounts of P2.050 million and P20.305 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account by P20.305 million and P18.255 million, respectively. Moreover, the non-derecognition of various unserviceable PPE items costing P4.968 million due to non-disposal thereof resulted in the overstatement of the PPE account in the same amount, contrary to Paragraph 82 of IPSAS 17.

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

1.1. Require the Accounting Section 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 to fairly present the Cash and Cash Equivalents account in the financial statements.

1.2. Instruct the Accounting Section to: (a) locate all the documents relative to five (5) closed bank accounts that are still recorded in the books; (b) determine the nature of the bank credit and debit memos and other book reconciling items not yet recorded in the books, and (c) make necessary adjustments accordingly.

1.3. Make representation with the depository bank to change the name of the bank account under the name of PTNI New Media to PTNI to substantiate the recording in the books.

2.1. Instruct the:

a. Inventory Committee to conduct the annual physical inventory taking of all PPE items, prepare and submit a copy of RPCPPE to the Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980 and Sections 38 and 42, Chapter 10 of Government Accounting Manual (GAM), Volume I;

b. Accounting and Property Sections to maintain PPELCs and PCs, respectively, for each item of PPE to facilitate reconciliation of the PPE account;

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

d. Disposal Committee to facilitate the immediate disposal of the unserviceable properties and submit the Inventory and Inspection Report of Unserviceable Properties (IIRUP) to the Accounting Division to serve as basis in derecognizing in the books the unserviceable properties in the amount of P4.968 million.

2.2. Consider:

a. Creating a Sub-Inventory Committee in the Provincial Offices that would take charge in the conduct of the physical count of PPE items in the provincial stations and prepare the corresponding RPCPPE to be consolidated with the Report of the Head Office, to address the issue on travel restrictions due to Coronavirus Disease 2019 pandemic; and

b. Applying the provisions of COA Circular No. 2020-006 dated January 31, 2020 pertaining to "one-time cleansing of PPE account balances of government agencies" to establish PPE balances that are verifiable as to existence, condition and accountability.

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

3. Rice Subsidy and Educational Assistance amounting to P5.629 million and P2.457 million, respectively, or totaling P 8.086 million were granted to PTNI officials and employees without approval from the Office of the President (OP) and despite the amount of P16.720 million for the provision of Rice Subsidy and Educational Assistance in the Fiscal Year (FY) 2020 Corporate Operating Budget (COB) of the Network was disapproved by the Department of Budget and Management (DBM), for lack of legal basis.

3.1. We recommended that Management require the PTNI officials and employees to refund the Rice Subsidy and Educational Assistance amounting to P5.629 million and P2.457 million, respectively, to avoid audit suspension and/or disallowance.

4. The legality, validity and accuracy of the payments of the salaries of the permanent, contractual, and contract of service (COS) personnel in the total amount of P189.782 million for CY 2020 could not be ascertained due to non-submission of properly filled-up and signed/approved Daily Time Records (DTRs), contrary to Section 4(6) of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.

4.1. We reiterated our previous year's recommendation that Management require the Administrative Division to submit the properly filled-up and signed/approved DTRs of permanent, contractual and COS personnel, otherwise, the payments will be suspended in audit.

5. Cash advances (CAs) totaling P7.415 million granted in CY 2020 and prior years were not liquidated as of December 31, 2020 and, accountable officers (AOs) with unliquidated CAs were granted additional CAs, contrary to Sections 5 and 4.1.2, respectively, of COA Circular No. 97-002 dated February 10, 1997. Moreover, CAs granted were not supported with proper documentation, contrary to COA Circular No. 2012-001 dated June 14, 2012.

5.1. We reiterated our prior year's audit recommendations that Management:

a. Require the concerned AOs to immediately liquidate their outstanding CAs in compliance with Section 5 of COA Circular No. 97-002; and

b. Instruct the Finance Division to comply strictly with the required documentary requirements in the grant and liquidation of CAs.

5.2. We likewise recommended that Management direct the Accounting Section to: (a) closely monitor all CAs due for liquidation; and (b) send regularly demand letters to AOs within ten (10) days before the expiration of the prescribed period of liquidation to prevent further accumulation of unliquidated CAs.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, CHARGES AND DISALLOWANCES

As of December 31, 2020, there was no unsettled audit charge, while the details and status of the unsettled disallowances and suspensions amounting to P100.041 million and P62.111 million, respectively, at year-end are presented in Table 18, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 39 audit recommendations embodied in the prior year's Annual Audit Report, 16 were fully implemented, 8 were partially implemented and 15 were not implemented. Details are presented in Part III of this Report.

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PART I - AUDITED FINANCIAL STATEMENTS

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 financial statements of the **People's Television Network, Inc. (PTNI)**, which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020, and notes to 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, 2020 and 2019, 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 of P301.232 million as of December 31, 2020 was not established due to discrepancies totaling P30.926 million (in absolute amount) in the Cash in Bank accounts between the balances per books and as confirmed by the depository banks, mainly because five (5) closed bank accounts in absolute amount totaling P20.828 million are still recorded in the books, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 of IPSAS 1.

Also, the faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P2.284 billion as of December 31, 2020 was not established due to non-conduct of physical count and no alternative audit procedure could be made to ascertain the existence of the properties due to inadequate maintenance of PPE Ledger Cards and Property Cards and non-completion of physical count of PPE in CY 2019, which disclosed total discrepancy of

P579.861 million between the Accounting records and Report on the Physical Count of PPE.

Likewise, the over-provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P20.305 million resulted in the overstatement of Depreciation Expense (for CY 2020) and Accumulated Depreciation in the amounts of P2.050 million and P20.305 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account by P20.305 million and P18.255 million, respectively. Moreover, the non-derecognition of various unserviceable PPE items costing P4.968 million due to non-disposal thereof resulted in the overstatement of the PPE account in the same amount, contrary to Paragraph 82 of IPSAS 17.

We were not able to perform alternative audit procedures to determine if any adjustments to the Cash in Bank and PPE accounts are necessary due to the status of records of the PTNI's Finance and Administrative Divisions.

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 Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together 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 and the Code of Ethics. 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 ISSAI's 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 ISSAI's we exercise professional judgement 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 audit was 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, 2020, 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

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

July 15, 2021

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, 2020 and 2019, 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 Trustees.

MS. MARIA FE P. ALIÑO
Chairman of the Board
July 15, 2021

msnigos
MS. MONETTA S. NIGOS
Officer-In-Charge, Finance Division
July 15, 2021

MS. KATHERINE CHLOE S. DE CASTRO
Network General Manager
July 15, 2021

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	5	301,232,396	136,274,520
Receivables	6	146,756,970	122,165,901
Inventories	7	2,811,352	2,796,351
Other current assets	10	433,748,426	397,520,463
Total current assets		**884,549,144**	**658,757,235**
Non-current assets			
Receivables	6	122,513,522	122,525,197
Property, plant and equipment	8	2,284,116,940	2,063,004,322
Intangible assets	9	6,408,643	6,419,772
Other non-current assets	10	1,601,297	2,095,425
Total non-current assets		**2,414,640,402**	**2,194,044,716**
TOTAL ASSETS		**3,299,189,546**	**2,852,801,951**
LIABILITIES			
Current liabilities			
Financial liabilities	11	3,073,046	16,213,400
Inter-agency payables	12	(24,706,814)	(18,525,880)
Trust liabilities	13	37,598,427	29,911,792
Deferred credits/unearned income	14	41,412,456	37,478,659
Total current liabilities		**57,377,115**	**65,077,971**
Non-current liabilities			
Financial liabilities	11	148,651,071	7,584,975
Inter-agency payables	12	374,291,213	374,291,213
Trust liabilities	13	58,216,999	58,216,999
Deferred credits/unearned income	14	74,212,792	74,212,792
Other payables	15	2,408,601	5,250,684
Total non-current liabilities		**657,780,676**	**519,556,663**
TOTAL LIABILITIES		**715,157,791**	**584,634,634**
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		**2,584,031,755**	**2,268,167,317**
NET ASSETS/EQUITY			
Accumulated surplus/(deficit)	26	1,584,031,755	1,268,167,317
Government equity	25	1,000,000,000	1,000,000,000
TOTAL NET ASSETS/EQUITY		**2,584,031,755**	**2,268,167,317**

The notes on pages 11 to 44 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
REVENUE			
Service and business income	16	170,501,527	212,574,784
TOTAL REVENUE		**170,501,527**	**212,574,784**
CURRENT OPERATING EXPENSES			
Personnel services	17	93,331,729	90,558,133
Maintenance and other operating expenses	18	228,939,332	219,799,223
Financial expenses	19	16,674	157,577
Non-cash expenses	20	106,282,723	105,159,653
TOTAL CURRENT OPERATING EXPENSES		**428,570,458**	**415,674,586**
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS		**(258,068,931)**	**(203,099,802)**
Other non-operating income	21.1	58,006	781,550
Gains	21.2	53,238	581,342
Losses	21.3	(545,231)	(231,223)
SURPLUS/(DEFICIT) BEFORE SUBSIDY		**(258,502,918)**	**(201,968,133)**
Assistance and subsidy from national government	22	615,145,313	385,891,898
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**356,642,395**	**183,923,765**

The notes on pages 11 to 44 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Accumulated surplus/(deficit) Note 26	Government equity Note 25	Total
BALANCE AT JANUARY 1, 2019	**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**
Changes in Net Assets/Equity for CY 2020			
Add/(deduct):			
Surplus for the period	356,642,395	-	356,642,395
Other adjustments	(40,777,957)	-	(40,777,957)
BALANCE AT DECEMBER 31, 2020	**1,584,031,755**	**1,000,000,000**	**2,584,031,755**

The notes on pages 11 to 44 form part of these financial statements.

PEOPLE'S TELEVISION NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of revenue		172,948,844	227,093,451
Receipt of assistance/subsidy		615,145,313	385,891,898
Collection of receivables		-	3,786,255
Other receipts		4,930,028	6,360,440
Total cash inflows		**793,024,185**	**623,132,044**
Adjustments		1,802,301	3,905,192
Adjusted cash inflows		**794,826,486**	**627,037,236**
Cash outflows			
Payment of expenses		302,578,950	266,241,081
Payment of inventories		185,557	1,648,467
Grant of cash advances		13,802,641	24,219,389
Prepayments		4,220,543	14,488,098
Payment of accounts payable		2,281,352	21,448,920
Remittance of personnel benefit contributions		40,523,055	34,138,348
Other disbursements		-	3,864,136
Total cash outflows		**363,592,098**	**366,048,439**
Adjustments			1,412,520
Adjusted cash outflows		**363,592,098**	**367,460,959**
Net cash provided by (used in) operating activities	23	**431,234,388**	**259,576,277**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash outflow			
Purchase/construction of property, plant and equipment		266,276,512	272,424,809
Total cash outflows		**266,276,512**	**272,424,809**
Adjustments		-	47,574,636
Adjusted cash outflows		**266,276,512**	**319,999,445**
Net cash provided by/(used in) investing activities		**(266,276,512)**	**(319,999,445)**
Net increase/(decrease) in cash and cash equivalents		**164,957,876**	**(60,423,168)**
Effects of exchange rate changes		-	-
Cash and cash equivalents, January 1		**136,274,520**	**196,697,688**
Cash and cash equivalents, December 31	5	**301,232,396**	**136,274,520**

The notes on pages 11 to 44 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, 2020

(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
	Note 27			
RECEIPTS				
Service and business income	275,150,000	275,150,000	170,501,527	104,648,473
Assistance and subsidy - MOOE	278,380,000	278,380,000	265,598,000	12,782,000
Assistance and subsidy - Capital outlay	-	-	349,547,313	(349,547,313)
Total receipts	**553,530,000**	**553,530,000**	**785,646,840**	**(232,116,840)**
PAYMENTS				
Personnel services	276,265,000	130,242,000	93,331,729	36,910,271
Maintenance & other operating expenses	410,675,000	243,826,000	228,939,332	14,886,668
Capital outlay	-	-	106,299,397	(106,299,397)
Total payments	**686,940,000**	**374,068,000**	**428,570,458**	**(54,502,458)**
NET RECEIPTS/(PAYMENTS)	**(133,410,000)**	**179,462,000**	**357,076,382**	**(177,614,382)**

The notes on pages 11 to 44 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 the Radio Philippines Network (RPN 9) and Intercontinental Broadcasting Corporation (IBC-13). The remaining P3 billion shall be appropriated under the General Appropriations Act (GAA).

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-government 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 Year (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 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; and

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 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; or

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 asset acquired in a non-exchange transaction is its fair value at the date this is 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 asset that meets the recognition criteria of an intangible asset.

f. **Subsequent measurement**

The useful life of the intangible asset 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. Non-monetary 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. Non-monetary 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's 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 analyze 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	2020	2019
Financial assets			
Cash and cash equivalents	5	301,232,396	136,274,520
Receivables	6	269,270,492	244,691,098
		570,502,888	**380,965,618**

Financial liabilities			
Financial liabilities	11	151,724,117	23,798,375
Inter-agency payables	12	349,584,399	355,765,333
Trust liabilities	13	95,815,426	88,128,791
		597,123,942	**467,692,499**

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 Network 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, 2020 and 2019, without considering the effects of credit risk mitigation techniques.

	Note	2020	2019
Financial assets			
Cash and cash equivalents	5	301,232,396	136,274,520
Receivables*	6	881,898,075	843,561,042
		1,183,130,471	**979,835,562**

** Receivables at gross of allowance for impairment amounting to P612,627,583 and P598,869,944 for the years ended December 31, 2020 and 2019, 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 through 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 through phone calls 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, 2020 and 2019 are as follows:

	2020	2019
Outstanding receivables:*		
Current accounts	105,286,912	35,830,647
Past due accounts:		
1 – 30 days past due	29,589,197	14,842,100
31 – 60 days past due	5,407,752	22,438,124
61 – 90 days past due	38,784,858	3,571,020
over 90 days past due	90,201,773	168,009,207
	269,270,492	**244,691,098**

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. Management of liquidity risk

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. Exposure to liquidity risk

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, 2020.

As at December 31, 2020	Within 1 Year	1 – 5 Years	Over 5 Years	Total
Financial liabilities	3,073,046	148,651,071	-	151,724,[illegible]
Inter-agency payables	8,360,713	2,895,935	338,327,751	349,584,399
Trust liabilities	6,200,444	67,210,512	22,404,470	95,815,426
	17,634,203	**218,757,518**	**360,732,221**	**597,123,942**

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:

	2020	2019
Cash on hand	12,114,768	1,529,901
	12,114,768	1,529,901
Cash in bank		
Local currency	277,310,955	129,326,299
Foreign currency	11,806,673	5,418,320
	289,117,628	134,744,619
	301,232,396	**136,274,520**

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, which are immediately deposited to the peso account of PTNI with the Land Bank of the Philippines (LBP) – Elliptical Road Branch on the first working day of January, and Petty Cash Fund account of the Network's Disbursing Officer.

5.2 Cash in Bank

	2020	2019
Current account - local currency	273,572,650	125,587,995
Savings account - local currency	3,738,305	3,738,304
	277,310,955	129,326,299
Current account - foreign currency	7,294,239	905,886
Savings account - foreign currency	4,512,434	4,512,434
	11,806,673	5,418,320
	289,117,628	**134,744,619**

The Current account (local currency) consists of General Fund for personnel services, maintenance and other operating expenses, and financial expenses – P137.000 million; and Equity Fund for capital outlay – P136.573 million. This is non-interest bearing depository account with LBP, Elliptical Road Branch.

6. RECEIVABLES

This account consists of the following:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Loans and receivable accounts-net	139,927,618	10,923,983	150,851,601	115,379,119	10,923,983	126,303,102
Other receivables	6,829,352	111,589,539	118,418,891	6,786,782	111,601,214	118,387,996
	146,756,970	**122,513,522**	**269,270,492**	**122,165,901**	**122,525,197**	**244,691,098**

6.1 Loans and Receivable Accounts

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Accounts receivable	204,023,906	546,199,137	750,223,043	165,717,768	546,199,137	711,916,905
Allowance for impairment – accounts receivable	(64,096,288)	(535,275,154)	(599,371,442)	(50,338,649)	(535,275,154)	(585,613,803)
	139,927,618	**10,923,983**	**150,851,601**	**115,379,119**	**10,923,983**	**126,303,102**

6.2 Other Receivables

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Receivables – disallowances/ charges	-	68,452,628	68,452,628	-	68,464,303	68,464,303
Due from officers and employees	6,514,398	-	6,514,398	6,136,958	-	6,136,958
Other receivables	13,571,095	43,136,911	56,708,006	13,905,965	43,136,911	57,042,876
Allowance for impairment – other receivable	(13,256,141)	-	(13,256,141)	(13,256,141)	-	(13,256,141)
	6,829,352	**111,589,539**	**118,418,891**	**6,786,782**	**111,601,214**	**118,387,996**

The Receivables-disallowance/charges account with corresponding balance of P68.453 million refers 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 account consists of long term receivables and advances uncollected from various clients. However, corresponding balances per books are still subject for reconciliation.

	2020	2019
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 account consists of receivables of the Network from cash advances made in CY 2016 and prior years; overpayment of 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:

	2020		2019	
	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	2,796,352	-	2,976,351	-
Additions/Acquisitions during the year	15,000	-	20,000	-
Expensed during the year except write-down	-	-	(200,000)	-
Carrying amount, December 31	**2,811,352**	**-**	**2,796,351**	**-**

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, 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**
Opening book value, January 1, 2020	**1,284,220,456**	**82,394,709**	**1,633,912,595**	**162,711,643**	**3,163,239,403**
Additions/Acquisitions	55,809,775	3,826,470	254,001,456	-	313,637,701
Adjustments:					
Cost	(184,027,354)	-	184,027,354	-	-
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)
Depreciation for the year	(8,742,290)	(4,835,429)	(78,947,364)	-	(92,525,083)
Closing net book value, December 31, 2020	**991,984,164**	**(3,785,045)**	**1,151,765,800**	**144,152,021**	**2,284,116,940**
As at December 31, 2020					
Cost	1,156,002,877	86,221,179	2,071,941,405	162,711,643	3,476,877,104
Accumulated depreciation	(164,018,713)	(90,006,224)	(920,166,155)	(18,559,622)	(1,192,750,714)
Accumulated impairment loss	-	-	(9,450)	-	(9,450)
Net book value, December 31, 2020	**991,984,164**	**(3,785,045)**	**1,151,765,800**	**144,152,021**	**2,284,116,940**

The Network received various technical equipment amounting to approximately $4 million from the Ministry of Internal Affairs and Communications of Japan in CY 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:

	2020	2019
Development in progress	6,300,643	6,300,643
Computer software	108,000	108,000
Other intangible asset	-	11,129
	6,408,643	**6,419,772**

Development in progress refers to computer software of Management Information System/Enterprise Resource Planning (MIS/ERP) from e-Copy Corporation in the amount of P6.301 million.

10. OTHER ASSETS

This comprises the following accounts:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Advances	37,755,825	-	37,755,825	35,963,824	-	35,963,824
Prepayments	395,446,812	-	395,446,812	361,010,850	-	361,010,850
Deposits	15,789	-	15,789	15,789	-	15,789
Other assets	530,000	1,601,297	2,131,297	530,000	2,095,425	2,625,425
	433,748,426	**1,601,297**	**435,349,723**	**397,520,463**	**2,095,425**	**399,615,888**

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); for official travel (advances to officers and employees).

	2020	2019
Advances for operating expense	361,267	277,520
Advances to special disbursing officer	1,094,095	1,678,013
Advances to officers and employees	36,300,463	34,008,291
	37,755,825	**35,963,824**

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.

	2020	2019
Advances to officers and employees	5,960,164	3,667,992
Advances to officers and employees-GSIS	29,264,039	29,264,039
Advances to officers and employees-SASDC	1,076,260	1,076,260
	36,300,463	**34,008,291**

10.2 Prepayments

Prepayments consists of the following account:

	2020	2019
Advances to contractors	46,307,657	37,372,459
Prepaid rent		123,899
Prepaid insurance	117,806	18,801
Input tax	94,610,358	187,172,112
Creditable input tax	205,228,455	86,763,960
Withholding tax at source	49,182,536	49,559,619
	395,446,812	**361,010,850**

10.3 Other assets

Other current assets refer to barter agreement of PTNI 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 is composed of the following:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Accounts payable	3,073,046	148,591,106	151,664,152	16,213,400	7,525,010	23,738,410
Due to officers & employees	-	59,965	59,965	-	59,965	59,965
	3,073,046	**148,651,071**	**151,724,117**	**16,213,400**	**7,584,975**	**23,798,375**

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:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Due to BIR	7,363,029	173,657,666	181,020,695	5,165,495	173,657,666	178,823,161
Due to GSIS	(2,926,560)	9,304,924	6,378,364	(2,433,868)	9,304,924	6,871,056
Due to Pag-IBIG	268,687	19,249	287,936	465,949	19,249	485,198
Due to PhilHealth	498,668	6,544,520	7,043,188	580,301	6,544,520	7,124,821
Value added tax payable	(30,842,081)	178,077,716	147,235,635	(23,235,200)	178,077,716	154,842,516
Income tax payable	931,443	6,687,138	7,618,581	931,443	6,687,138	7,618,581
	(24,706,814)	**374,291,213**	**349,584,399**	**(18,525,880)**	**374,291,213**	**355,765,333**

Due to BIR refers to the Network's accumulated tax arrearages since CY 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 BIR. The total amount as per BIR Final Assessment Notice is P656.745 million. Partial payments have been made by PTNI from November 2018 – June 2019 in the amount of P36.139 million.

PTNI applied for Tax Amnesty before the end of CY 2019 and as result, the amount of tax due was adjusted to P454,566,716.00. PTNI then sought for Tax subsidy from the Department of Finance which was approved by the latter. For this, the Department of Budget and Management issued and released Special Allotment Release Order (SARO) No. BMB-C-20-0020160 for the total adjusted tax dues. PTNI is just waiting for a certificate of cancellation of its tax assessment in order to adjust its books for the settlement.

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:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Trust liabilities	17,228,944	23,690,302	40,919,246	11,028,500	23,690,302	34,718,802
Guaranty deposit	20,369,483	34,526,697	54,896,180	18,883,292	34,526,697	53,409,989
	37,598,427	**58,216,999**	**95,815,426**	**29,911,792**	**58,216,999**	**88,128,791**

Trust liabilities account pertains 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 in CY 2020 and comprised of the following:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Deferred output tax	40,092,730	61,272,148	101,364,878	35,935,249	61,272,148	97,207,397
Unearned revenue/income	1,319,726	12,940,644	14,260,370	1,543,410	12,940,644	14,484,054
	41,412,456	74,212,792	115,625,248	37,478,659	74,212,792	111,691,451

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:

	2020	2019
Business income		
Sales revenue	166,741,676	206,502,690
Service income		
Other service income	3,759,851	6,072,094
	170,501,527	212,574,784

16.1 Business Income

16.1.1. Sales Revenue

	2020	2019
Airtime (cash)	49,243,940	46,100,365
Airtime (non cash)	590,928	1,359,375
Spots (cash)	-	1,480,338
Spots (non cash)	2,250,000	192,929
Government account	114,656,808	151,728,835
Facilities	-	5,640,848
	166,741,676	206,502,690

16.2 Other Service Income

Other service income account represents the collections from sale of Bid Documents, ID's, Production of AVP's, Google Ads or Live Streaming.

17. PERSONNEL SERVICES

This account is composed of the following:

	2020	2019
Salaries and wages	54,126,705	55,474,526
Other compensation	25,340,586	22,154,227
Personnel benefit contributions	7,487,440	7,565,334
Other personnel benefits	6,376,998	5,364,046
	93,331,729	**90,558,133**

17.1 Salaries and Wages

	2020	2019
Salaries and wages-regular	52,578,444	53,444,122
Salaries and wages-casual/contractual	1,548,261	2,030,404
	54,126,705	**55,474,526**

17.2 Other Compensation

	2020	2019
Personnel economic relief allowance (PERA)	3,749,000	3,900,636
Transportation allowance (TA)	517,000	500,500
Representation allowance (RA)	508,000	500,500
Clothing/uniform allowance	960,000	966,000
Honoraria	351,500	357,000
Longevity pay	115,000	115,000
Overtime and night pay	639,689	3,412,473
Year-end bonus	4,491,912	4,714,132
Cash gift	780,000	825,000
Hazard pay	217,500	-
Other bonuses and allowances	13,010,985	6,862,986
	25,340,586	**22,154,227**

17.3 Employees Future Benefits

The permanent employees of the PTNI contribute to the GSIS in accordance with the 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

	2020	2019
Retirement and life insurance premiums	6,340,541	6,486,506
Pag-IBIG contributions	187,700	195,850
PhilHealth contributions	771,399	686,378
Employee compensation insurance premiums	187,800	196,600
	7,487,440	**7,565,334**

17.5 Other Personnel Benefits

	2020	2019
Terminal leave benefits	6,376,998	5,358,046
Other personnel benefits – other fringe benefits	-	6,000
	6,376,998	**5,364,046**

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2020	2019
Traveling expenses	3,859,268	15,633,661
Training and scholarship expenses	113,394	781,015
Supplies and materials expenses	7,146,695	8,648,658
Utility expenses	23,591,680	25,825,802
Communication expenses	10,274,852	12,545,456
Professional services	138,814,399	125,893,264
General services	12,120,451	13,347,691
Repairs and maintenance	1,954,549	4,833,168
Taxes, insurance premiums and other fees	4,601,382	5,124,224
Other maintenance and operating expenses	26,462,662	7,166,284
	228,939,332	**219,799,223**

18.1 Traveling Expenses

	2020	2019
Traveling expenses-local	3,851,743	10,461,714
Traveling expenses-foreign	7,525	5,171,947
	3,859,268	**15,633,661**

18.2 Training and Scholarship Expenses

	2020	2019
Training expenses	113,394	781,015
	113,394	**781,015**

18.3 Supplies and Materials Expenses

	2020	2019
Office supplies expenses	2,059,846	1,614,426
Accountable forms expenses	14,000	4,470
Electrical supplies and materials expenses	110,181	579,955
Drugs and medicines expenses	10,623	23,924
Fuel, oil and lubricants expenses	4,035,982	3,706,563
Semi-expendable machinery and equipment expenses	105,676	622,406
Semi-expendible furniture, fixtures and books expenses	41,986	554,115
Other supplies and materials expenses	768,401	1,542,799
	7,146,695	**8,648,658**

18.4 Utility Expenses

	2020	2019
Water expenses	1,434,369	1,193,205
Electricity expenses	22,157,311	24,632,597
	23,591,680	**25,825,802**

18.5 Communication Expenses

	2020	2019
Postage and courier services	48,052	206,956
Telephone	2,201,573	2,459,373
Internet subscription expenses	2,472,572	2,305,624
Cable, satellite, telegraph and radio expenses	5,552,655	7,573,503
	10,274,852	**12,545,456**

18.6 Professional Services

	2020	2019
Auditing services	3,067,900	2,517,864
Legal services	91,664	-
Other professional services	135,654,835	123,375,400
	138,814,399	**125,893,264**

18.7 General Services

	2020	2019
Janitorial services	1,022,848	2,246,529
Security services	11,097,603	11,101,162
	12,120,451	**13,347,691**

18.8 Repairs and Maintenance

	2020	2019
Repairs and maintenance-infrastructure assets	685,216	418,061
Repairs and maintenance-buildings and other structures	125,185	594,534
Repairs and maintenance-machinery and equipment	580,473	2,536,501
Repairs and maintenance-transportation equipment	550,207	1,239,870
Repairs and maintenance-furniture and fixtures	4,768	44,014
Repairs and maintenance-semi-expendable machinery and equipment	8,700	188
	1,954,549	**4,833,168**

18.9 Taxes, Insurance Premiums and Other Fees

	2020	2019
Taxes, duties and licenses	124,494	566,289
Fidelity bond premiums	25,245	3,900
Insurance expenses	4,451,643	4,554,035
	4,601,382	**5,124,224**

18.10 Other Maintenance and Operating Expenses

	2020	2019
Advertising, promotional and marketing expenses	1,095,678	553,648
Representation expenses	587,177	1,184,201
Transportation and delivery expenses	2,961	382,345
Rent/lease expenses	1,012,487	1,479,910
Subscription expenses	3,057	40,488
Donations	-	5,000
Documentary stamps expenses	65	15,139
Fees and commission expenses	1,945	-
Major events and conventions expenses	-	528,693
Other maintenance and operating expenses	23,215,292	2,691,860
Directors and committee members' fees	544,000	285,000
	26,462,662	**7,166,284**

19. FINANCIAL EXPENSES

This account comprises the following:

	2020	2019
Interest expenses	-	74,059
Bank charges	16,674	83,518
	16,674	**157,577**

20. NON-CASH EXPENSES

This account is composed of the following:

	2020	2019
Depreciation-buildings and other structures	8,742,290	8,811,826
Depreciation-machinery and equipment	40,607,295	40,379,873
Depreciation-transportation and equipment	8,460,861	4,561,733
Depreciation-furniture and fixtures	111,519	123,725
Depreciation-infrastructure assets	34,603,118	15,477,621
	92,525,083	69,354,778
Impairment loss-loans and receivables	13,757,640	35,804,875
	106,282,723	**105,159,653**

The decrease 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 comprises net of the following accounts:

21.1 Other Non-Operating Income

	2020	2019
Miscellaneous income	58,006	781,550
	58,006	**781,550**

21.2 Gains

	2020	2019
Gain on foreign exchange (FOREX)	53,238	581,342
	53,238	**581,342**

21.3 Losses

	2020	2019
Loss on foreign exchange (FOREX)	545,231	231,223
	545,231	**231,223**

22. ASSISTANCE AND SUBSIDY FROM NATIONAL GOVERNMENT

This consists of Subsidy from the National Government for:

	2020	2019
Personnel services & MOOE	265,598,000	113,324,000
Capital outlay	349,547,313	272,567,898
	615,145,313	385,891,898

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

	2020	2019
Surplus for the year	356,642,395	183,923,765
Depreciation	92,525,083	69,354,778
Impairment loss	13,757,640	35,804,875
Prior year expenses disbursed in current year	7,470,051	(33,244,173)
Decrease (Increase) in receivables	(24,591,070)	(50,579,586)
Decrease (Increase) in inventories	(15,001)	180,000
Decrease (Increase) in other current assets	(36,227,963)	(4,842,639)
Increase (Decrease) in financial liabilities	(13,140,355)	54,390,017
Increase (Decrease) in inter-agency payables	(6,180,933)	29,387,404
Increase (Decrease) in trust liabilities	7,686,635	(24,798,164)
Other adjustments	33,307,906	-
Net cash flows from operating activites	**431,234,388**	**259,576,277**

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 the Members of the Governing Board and the Principal Officers of PTNI determined on a full-time equivalent basis receiving remuneration within this category, follows:

	Total remuneration
Salaries and wages	6,439,040
Other compensation	4,191,347
Other personnel benefits	192,433
	10,822,820

25. GOVERNMENT EQUITY

The new Charter of PTNI 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 RPN 9 and IBC-13. The remaining P3 billion shall be appropriated under the GAA.

As of December 31, 2020, the authorized capital stock of the Network as presented in the financial statements 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, 2019	**1,053,116,628**
Surplus (deficit) for CY 2019	183,923,765
Other adjustments	31,126,924
Accumulated surplus, December 31, 2019	**1,268,167,317**
Surplus for CY 2020	356,642,395
Other adjustments	(40,777,957)
Accumulated surplus, December 31, 2020	**1,584,031,755**

27. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for December 31, 2020, is the proposed Corporate Operating Budget (COB) for the year 2020 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 23, 2020, COB No. C1-20-0054. 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 P312,872,000.
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 previous 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) and other Incentives.

- 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 THE BIR UNDER REVENUE REGULATION (RR) NO. 15-2010

28.1 RR No. 15-2010

PTNI was granted last November 24, 2020 SARO No: SARO-BMB-C-20-0020160 to cover payment of tax obligation with the BIR from Fiscal Years 2003-2013 approved by the Fiscal Incentives Review Board (FIRB) per FIRB Resolution No. 2-20 dated February 12, 2020 and Certificate of Entitlement to Subsidy No. 0205 dated November 6, 2020.

Due to BIR as of December 31, 2020	Amount
Due to BIR – Withholding tax on compensation	(8,558,261)
Due to BIR – Expanded withholding tax	161,055,013
Due to BIR – VAT withheld	24,207,354
Due to BIR – Percentage tax	4,316,589
TOTAL	**181,020,695**

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 P85,184,101 for the year.

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

	Amount
Balance, beginning of the year	187,199,112
Purchases	43,003,842
Withholding Tax	7,349,291
Sub-total	**237,552,245**
Less: Output tax	24,495,391
Creditable Input tax	118,464,496
Balance, end of the year	**94,592,358**

c. Other Taxes and Licenses

	Amount
Local	-
National (BIR Annual Registration Fee)	500
Total	**500**

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

	Amount
Tax on compensation and benefits	4,533,226
Creditable withholding taxes	7,724,053
Final withholding taxes	17,599,670
Total	**29,856,949**

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 2020:

	Withheld	Remitted
Life and retirement premiums, employees' share	4,801,272	4,786,014
Government share	6,606,923	6,382,352
Total	**11,408,195**	**11,168,366**

PART II - OBSERVATIONS AND RECOMMENDATIONS

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account of P301.232 million as of December 31, 2020 was not established due to discrepancies totaling P30.926 million (in absolute amount) in the Cash in Bank accounts between the balances per books and as confirmed by the depository banks, mainly because five (5) closed bank accounts in absolute amount totaling P20.828 million are still recorded in the books, 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.

1.1. This is a reiteration with updates of the previous year's audit observation as Management was not able to fully implement the 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 Cash and Cash Equivalents account as presented in the financial statements as of December 31, 2020 had a balance of P301.232 million, breakdown shown in Table 1.

Table 1 – Breakdown of Cash and Cash Equivalents account
As of December 31, 2020

Particular	Amount
Cash – collecting officer	P 10,785,669
Petty cash	1,329,099
Cash in bank (local and foreign currencies)	289,117,628
	P301,232,396

1.5. However, confirmation with the two (2) depository banks of the PTNI disclosed discrepancies totaling P30.926 million (in absolute amount) between the balances per books vis-à-vis per bank, as summarized in Table 2.

Table 2 – Results of Confirmation of Cash in Bank Account
As of December 31, 2020

Bank Account (Code)	Balance per Books	Balance per Bank	Discrepancy (in absolute amount)
Bank 1/Account A	P136,999,764.58	P139,804,169.14**	P 2,804,404.56
Bank 1/Account B	136,572,886.15	136,572,886.16	0.01
Bank 1/Account C*	7,294,238.92	-	7,294,238.92
	280,866,889.65	276,377,055.30	10,098,643.49
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
	8,250,738.67		20,827,609.87
	P289,117,628.32	**P276,377,055.30**	**P30,926,253.36**

**at P48.036/US Dollar per reported exchange rate of 12/29/2020*
*** Net of Outstanding checks of P5,096,145 [P144,900,314.14 – P5,096,145]*

1.6. Review of the Accounting records revealed the following causes of the discrepancies, among others:

a. All five (5) bank accounts under code Bank 2 with total discrepancies of P20.828 million in absolute amount (because of the negative balance of code Bank 2/Account C of P6.288 million which reduced the balance of the Cash in Bank account), were already closed in calendar year (CY) 2018, but still remained in the books. Inquiry with the concerned Accounting personnel revealed that the balances of the closed bank accounts are unidentified reconciling items from prior years with no supporting documents, hence, adjustments could not be effected in the books.

b. Based on the Bank Reconciliation Statements (BRSs) for bank account coded as Bank 1/Account A, the reconciling items in the books consisted of bank credit memos, debit memos and a No Sufficient Fund (NSF) check from a client amounting to P2.964 million, P17,550 and P142,000, respectively; while the reconciling items in the bank were the outstanding checks as of December 31, 2020 totaling P5.096 million, as summarized in Table 3.

Table 3 – Summary of Reconciling Items under Bank 1/Account A

Particulars	Amount
Book Reconciling Items	
Credit Memos	P2,963,955
Debit Memos	17,550
NSF check from client	142,000
	3,123,505
Bank Reconciling Item	
Outstanding checks	P5,096,145

c. The bank account coded as Bank 1/Account C in the amount of P7.294 million was not confirmed by the Land Bank of the Philippines (LBP) as it is under the name of PTNI New Media, but is recorded in the books of PTNI. Interview with the Cashier disclosed that the aforesaid bank account serves as repository of collections from clients from online advertising sales rendered by the PTNI.

1.7. In view of the deficiency discussed above, the faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account of P301.232 million as of December 31, 2020 was not established.

1.8. **We reiterated our prior year's audit recommendations that Management require the Accounting Section 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 to fairly present the Cash and Cash Equivalents account in the financial statements.**

1.9. **We further recommended that Management:**

a. **Instruct the Accounting Section to: (a) locate all the documents relative to five (5) closed bank accounts that are still recorded in the books; (b) determine the nature of the bank credit and debit memos and other book reconciling items not yet recorded in the books, and (c) make necessary adjustments accordingly; and**

b. **Make representation with the depository bank to change the name of the bank account under the name of PTNI New Media to PTNI to substantiate the recording in the books.**

1.10. Management commented that the PTNI Finance Division has an on-going reconciliation between the data of Accounting and Cashier to identify the discrepancies. Moving forward, however, Management took note of the recommendations and committed to implement the same.

1.11. As a rejoinder, the Audit Team acknowledged the commitment of Management to implement the audit recommendations, which will be monitored in CY 2021 audit.

2. **The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with carrying amount of P2.284 billion as of December 31, 2020 was not established due to non-conduct of physical count and no alternative audit procedure could be made to ascertain the existence of the properties due to inadequate maintenance of PPE Ledger Cards (PPELCs) and Property Cards (PCs) and non-completion of physical count of PPE in CY 2019, which disclosed total discrepancy of P579.861 million between the Accounting records and Report on the Physical Count of PPE (RPCPPE). Likewise, the over-provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P20.305 million resulted in the overstatement of Depreciation Expense (for CY 2020) and Accumulated Depreciation in the amounts of P2.050 million and P20.305 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account by P20.305 million and P18.255 million, respectively. Moreover, the non-derecognition of various unserviceable PPE items costing P4.968 million due to non-disposal thereof resulted in the overstatement of the PPE account in the same amount, contrary to Paragraph 82 of IPSAS 17.**

2.1. 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.*

2.2. This is a reiteration with updates of the previous year's audit observations on the PPE account as Management was not able to fully implement the recommendations.

2.3. The PPE account as presented in the financial statements as of December 31, 2020 had a carrying amount of P2.284 billion, categorized into sub-accounts as shown in Table 4.

Table 4 – Breakdown of PPE Account

PPE Account	Cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying Amount
Land	P 4,270,000	P -	P -	P 4,270,000
Communication networks	683,224,175	50,080,739	-	633,143,436
Buildings	265,754,275	161,773,165	-	103,981,110
Other structure	5,524,505	1,913,373	-	3,611,132
Office equipment	31,080,051	48,516,083	-	(17,436,032)
Information & communication technology equipment	49,094,007	36,328,484	-	12,765,523
Communication equipment	1,274,752,791	814,688,673	9,450	460,054,668
Other machinery & equipment	1,250,507	572,213	-	678,294
Motor vehicles	112,713,933	54,824,531	-	57,889,402
Furniture & fixtures	6,047,122	5,161,657	-	885,465
Lease asset improvements, buildings & other Structures	1,265,425	332,174	-	933,251
Other PPE	162,711,643	18,559,622	-	144,152,021
Construction in progress	879,188,670	-	-	879,188,670
Total	**P3,476,877,104**	**P1,192,750,714**	**P9,450**	**P2,284,116,940**

2.4. Audit of the PPE account disclosed various deficiencies as discussed hereunder.

Non-conduct of physical count and no alternative audit procedure could be made to ascertain the existence of the properties due to inadequate maintenance of PPELCs and PCs and non-completion of physical count of PPE in CY 2019, which disclosed total discrepancy of P579.861 million between the Accounting records and RPCPPE

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. Likewise, Section 38, Chapter 10 of the Government Accounting Manual (GAM), Volume I requires the agency to conduct physical count and reconcile the results thereof with the records of the Accounting Section. Also, Section 42 of the same GAM requires the agency to maintain the PPELCs and PCs for each category of PPE and prepare the RPCPPE. These records and reports should be reconciled for purposes of check and balance.

2.7. It was noted that PTNI did not conduct physical inventory of its PPE in CY 2020. In a letter dated May 18, 2021 from the Officer-in-Charge of the Property Section, it was informed that the conduct of physical count of PPE was supposed to start in April 2020 but due to the Coronavirus Disease 2019 (COVID-19) pandemic and travel restrictions, the Inventory Team was not able to conduct the physical count.

2.8. Meanwhile, the Audit Team was precluded to use other alternative audit procedures to determine the existence of the PPE items and the completeness of the recording thereof in the books considering the inadequacy of PPELCs and the PCs being maintained by the Accounting and Property Sections, respectively. Moreover, the RPCPPE submitted to the Audit Team by the Network in CY 2019 was inadequate due to non-completion of the physical inventory, where a discrepancy of P579.861 million was noted between the Accounting records and the RPCPPE.

2.9. In view of the foregoing deficiencies and limitations, the faithful representation in the financial statements of the balance of the PPE account with carrying amount of P2.284 billion as of December 31, 2020 was not established.

Over-provision of depreciation on PPE-Office Equipment sub-account in the prior and current years totaling P20.305 million

2.10. As shown in Table 4, the PPE – Office Equipment sub-account disclosed a negative (abnormal) debit balance of P17.436 million due to over-provision of depreciation in prior and current years totaling P20.305 million as presented in Table 5.

Table 5 – Computation of over-provision of Depreciation on PPE-Office Equipment Account

Particulars	Amount	
	CY 2020	CY 2019 and prior
Cost	P 31,080,051	P 31,459,408
Less: Salvage value	2,869,074	2,907,011
Depreciable amount	28,210,977	28,552,397
Less: Accumulated depreciation	48,516,083	46,465,849
Over Provision of Depreciation	**P(20,305,106)**	**P(17,913,452)**

2.11. As can be gleaned in Table 5, there was over provision of depreciation in prior and current years. Despite that the PPE-Office Equipment Account had already a negative (abnormal) debit balance in prior years, still the Network provided depreciation in CY 2020 of P2.050 million [Accumulated Depreciation in CY 2020 of P48.516 million less Accumulated Depreciation in CY 2019 of P46.466 million].

2.12. The over-provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P20.305 million resulted in the overstatement of Depreciation Expense (for CY 2020) and Accumulated Depreciation in the amounts of P2.050 million and P20.305 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account by P20.305 million and P18.255 million [Total Depreciation provided of P20.305 million less Depreciation Expense in CY 2020 of P2.050 million], respectively.

Non-derecognition of various unserviceable PPE items costing P4.968 million due to non-disposal thereof resulted in the overstatement of the PPE account in the same amount, contrary to Paragraph 82 of IPSAS 17

2.13. Paragraph 82 of IPSAS 17 on PPE states that the carrying amount of an item of PPE shall be derecognized: (a) on disposal; or (b) when no future economic benefits or service potential is expected from its use or disposal.

2.14. Review of records showed that various items of PPE with total cost of P4.968 million were already unserviceable and have no economic benefits to the Network, but were not derecognized in the books due to non-disposal thereof, contrary to Paragraph 82 of IPSAS 17. The summary of the unserviceable properties is shown in Table 6.

Table 6 – Inventory of Unserviceable Property

Station/Office	Communications 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**

2.15. Interview with the concerned personnel revealed that the Property Section has a pending request for disposal of these unserviceable PPE items since CY 2018 and that the Inventory and Inspection Report of Unserviceable Properties (IIRUP) was already forwarded to PTNI Disposal Committee. Moreover, the concerned personnel from Finance Division informed that they were done with the reconciliation of the unit cost of each item to be disposed of, however, as at audit date, copy of the IIRUP is not yet furnished to the Audit Team for validation.

2.16. The non-derecognition of the unserviceable items in the PPE account resulted in the overstatement of the said account by P4.968 million as of December 31, 2020.

2.17. Meanwhile, the Audit Team would like to inform PTNI Management that the COA issued COA Circular No. 2020-006 dated January 31, 2020, prescribing the "*Guidelines and Procedures in the Conduct of Physical Count of Property, Plant and Equipment (PPE), Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies*". The rationale in issuing such guidelines and procedures is to assist government agencies in coming up with reliable PPE balances that are verifiable as to existence, condition and accountability. The existence of discrepancies in PPE account balances of government agencies has become a perennial issue and caused the non-establishment of the accuracy of the PPE balances presented in the financial statements.

2.18. **We reiterated our previous year's audit recommendations that Management instruct the:**

a. **Inventory Committee to conduct the annual physical inventory taking of all PPE items, prepare and submit a copy of RPCPPE to the Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980 and Sections 38 and 42, Chapter 10 of GAM, Volume I;**

b. **Accounting and Property Sections to maintain PPELCs and PCs, respectively, for each item of PPE to facilitate reconciliation of the PPE account;**

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

d. **Disposal Committee to facilitate the immediate disposal of the unserviceable properties and submit the IIRUP to the Accounting Division to serve as basis in derecognizing in the books the unserviceable properties in the amount of P4.968 million.**

2.19. **We further recommended that Management consider:**

a. **Creating a Sub-Inventory Committee in the Provincial Offices that would take charge in the conduct of the physical count of PPE items in the provincial stations and prepare the corresponding RPCPPE to be consolidated with the Report of the Head Office, to address the issue on travel restrictions due to COVID-19 pandemic; and**

b. **Applying the provisions of COA Circular No. 2020-006 dated January 31, 2020 pertaining to "one-time cleansing of PPE account balances of government agencies" to establish PPE balances that are verifiable as to existence, condition and accountability.**

2.20. Management took note of the recommendations and committed to implement the same.

2.21. As a rejoinder, the Audit Team will monitor the full implementation of the recommendations by the Network in CY 2021 audit.

3. **The accuracy and validity of the balance of the Receivables account in the gross amount of P881.898 million and net book value of P269.270 million as of December 31, 2020 could not be ascertained in view of the variances in absolute amount of P124.808 million between the balances per GLs and the SLs of Accounts Receivable (AR)-Trade that remained unreconciled at year-end and, confirmation of the several accounts resulted in either "return to sender" or had no reply at all.**

3.1. This is a reiteration of CY 2019 audit observation, as Management did not implement the audit recommendations.

3.2. The Receivables account as of December 31, 2020 amounted to P881.898 million (gross) and with Allowance for Impairment of P612.628 million or net book value of P269.270 million, composition of which is shown in Table 7.

Table 7 – Composition of the Receivables Account

Sub-Account	Gross Amount	Allowance for Impairment	Net Book Value
AR-trade	P750,223,043	P599,371,442	P150,851,601
Receivables-disallowances/charges	68,452,628	-	68,452,628
Due from officers and employees	6,514,398	-	6,514,398
Other receivables	56,708,006	13,256,141	43,451,865
Total	P881,898,075	P612,627,583	P269,270,492

3.3. However, verification disclosed that the GL balances of the A/R – Trade per books in the gross amount of P750.223 million as of December 31, 2020, did not reconcile with the balances per corresponding SLs, resulting in total variances of P124.808 million (absolute amount), details are presented on Table 8.

Table 8 - Comparison of GLs vs. SLs Balances of the Receivables – A/R-Trade Sub-Account

Account Title	GLs	SLs	Variance (in absolute amount)
AR – Airtime	P252,127,235.94	P219,823,631.13	P 32,303,604.81
AR – Airtime Ex-Deals	43,215,531.92	55,651,645.39	12,436,113.47
AR – Spots	174,671,478.85	110,596,783.95	64,074,694.90
AR – Spots (Cash) One Morning	1,906,400.00	-	1,906,400.00
AR – Spots Ex-Deals	117,503,779.29	119,412,174.47	1,908,395.18
AR – Spots (Ex-Deals) One Morning	1,129,796.20	-	1,129,796.20
AR – Facilities	27,519,862.10	20,427,550.13	7,092,311.97
AR – Government Accounts	132,088,959.20	128,192,765.35	3,896,193.85
AR – Provincial	60,000.00	-	60,000.00
Total	**P750,223,043.50**	**P654,104,550.42**	**P124,807,510.38**

3.4. Based on Table 8, it can be surmised that several AR-Trade sub-accounts, i.e. AR - Airtime, Spots, Facilities, Government Accounts and Provincial, have no complete SLs as the GL balances are bigger than the total of the corresponding SLs.

3.5. The noted variances totaling P124.808 million were already brought to the attention of PTNI Management in last year's audit report, where the Finance Division agreed to conduct analysis to determine the causes and details of the variances. However, as at audit date, the same was not acted upon/resolved.

3.6. Inquiry from the concerned personnel of the Finance Division revealed that they are having difficulty in determining the causes of the variances due to the unavailability of the supporting documents and the former person in-charge of the AR-Trade account had already resigned. Also, the Network is planning to file a request for write off for the said variances.

3.7. Meanwhile, the Audit Team sent confirmation letters (CLs) to clients with available complete address per Accounting records, to verify the accuracy of the AR-Trade recorded in the books. However, of the thirty (30) CLs totaling P74.917 million or 9.99 per cent [P74.917million/P750.223 million] of the total AR-Trade, only one (1) client responded and the remaining twenty-nine (29) have no replies, details are presented in Table 9.

Table 9 – Result of Confirmation

Particular	No. of CLs	Amount
Confirmed balance	1	P 1,028,160
Returned by post-office	15	39,013,283
No reply	14	34,875,260
Total	30	**P74,916,703**

3.8. The fifteen (15) returned CLs were tagged by the post-office as either the recipient has already 'moved out' and did not leave any forwarding address, "unknown", or "no longer connected". Further, no replies were received for the remaining fourteen (14) CLs as at audit date.

3.9. In view of the variances in absolute amount of P124.808 million between the GLs and SLs balances as well as the negative results of the CLs sent to clients, the accuracy and validity the balance of the Receivables account in the gross amount of P881.898 million as of December 31, 2020 could not be ascertained. However, it is worth mentioning that the account has been provided with Allowance for Impairment in the amount of P612.628 million.

3.10. **We reiterated our prior year's audit recommendations that Management:**

a. **Instruct the Finance Division to reconcile the balances between the GLs and SLs of the Receivables - AR-Trade sub-account and prepare the necessary adjusting entries; and**

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

3.11. **We further recommended that Management: (a) instruct the Finance Division to maintain complete SLs to support the GLs balances of the AR-Trade account; and (b) file a request for write-off of dormant accounts determined to be uncollectible following the guidelines and procedures prescribed under COA Circular No. 2016-005 dated December 19, 2016.**

3.12. Management commented that the unreconciled balances between the GLs and SLs from the prior year's audit observation pertained to carry-over balances without supporting documents, hence, preparation of adjusting entries is not possible. However, current transactions are already reconciled. In addition, the Finance Division is already preparing the request for write-off for dormant accounts for submission to COA.

3.13. As a rejoinder, the Audit Team will monitor Management's compliance with the recommendations in the succeeding audits.

4. **The accuracy and existence of the Inventories – Other Supplies and Materials account with balance of P2.811 million as of December 31, 2020 could not be ascertained due to variance of P2.576 million between the balances per GL and the Report on the Physical Count of Inventory (RPCI) which remained unreconciled at year-end due to lapses in the recording of receipts and issuances of Ex-Deal Items. Likewise, no disclosure in the Notes to Financial Statements on the Ex-Deal Items, contrary to Paragraph 39 of IPSAS 9.**

4.1. Audit disclosed that Inventories – Other Supplies and Materials account included inventory of Ex-Deal Items. These items are goods received from clients in exchange for airtime slots for the telecast/advertisement of their products pursuant to their Broadcast Contracts with PTNI.

4.2. Review revealed that in CY 2020, PTNI entered into seven (7) Ex-Deal Contracts with various clients totaling P3.682 million, details presented in Table 10.

Table 10 - Summary of Ex-Deal Contracts for CY 2020

Date	Client	Particular (Ex-Deal Items)	Gross Amount
Feb. 18, 2020	GTI	Load Cards	P 600,000
Jan. 31, 2020	MEP	Tickets	196,000
Jan. 29, 2020	GC	Scholarship	200,000
Jan. 17, 2020	ST	One Hundred (100) pax Milk Tea	28,280
Jan. 14, 2020	CC2	50 pcs. Printed Shirt	63,280
Jan. 17, 2020	GH	50% Hotel Room & 50% breakfast (40) pax	74,280
Oct. 14, 2020	KCPI	21,000 boxes of Lola Remedios	2,520,000
Total			**P3,681,840**

4.3. To facilitate the audit of the Ex-Deal Contracts, the Audit Team requested from Management a copy of the guidelines and procedures on the accounting/recording of Ex-Deal Items and the RPCI thereof. Management submitted the RPCI of Ex-Deal Items, however, no written guidelines and procedures on Ex-Deal Items was furnished.

4.4. Comparison of the balances per GL and the RPCI disclosed a variance of P2.576 million as of December 31, 2020, as presented in Table 11.

Table 11 - Comparison GL and RPCI of Ex-Deal Items

	Amount
GL	P2,811,352
RPCI	235,000
Discrepancy	**P2,576,352**

4.5. Based on information gathered, the process flow on the receipt and issuance of Ex-Deal Items are as follows:

a. The Client, upon delivery of the Ex-Deal Items will bring two (2) copies of Acknowledgement Receipt/Delivery Receipt (AR/DR) to be signed by the Property Section. No copy of the Ex-Deal Contract is attached for easy reference during inspection and acceptance of the items.

b. The Inspection Team (composed of representatives from Administration Division, Finance Division and Property Section) will inspect the delivered items to be received by the Property Section.

c. Copy 1 of AR/DR is returned to the Client with remarks "Accepted", while copy 2 of AR/DR is reproduced and kept on file by the Property Section.

d. Copy 2 of AR/DR is sent to Accounting Division as basis for recording in the books.

e. The Ex-Deal Items together with the withdrawal slip will be turned over to the appropriate Custodians (i.e. Finance Division for card cellphone load or Sales Division for all other items depending on the Memorandum issued by the Office of the Network General Manager) and are required to acknowledge receipt on the AR/DR to evidence the turnover of the Ex- Deal Items.

4.6. Based on the process flow, the Audit Team noted that the Custodians have the sole control over the issuance of the Ex-Deal Items. Moreover, it was observed that the Custodians neither maintain any stock ledger cards for proper monitoring of the movements of the inventories in their custody nor submit Monthly Report of Supplies and Materials Issued (RSMI) to the Accounting Section as basis of the latter in the recording of all issuances or usages of the Ex-Deal Items. In view of these lapses, a discrepancy in the amount of P2.576 million was noted between the balances per GL and the RPCI and misuse of the Ex-Deals Items could not be discounted due to inadequacy of internal control.

4.7. Further, the Audit Team noted that the Network did not provide relevant disclosure in the Notes to Financial Statements on the Ex-Deal Items, contrary to Paragraph 39 of IPSAS 9, which states that:

An entity should disclose:

(a) *The accounting policies adopted for the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services;*

(b) The amount of each significant category of revenue recognized during the period including revenue arising from:

(c) The rendering of services;

Xxxx

4.8. In view of the foregoing deficiencies, the accuracy and existence of the Inventories – Other Supplies and Materials account with balance of P2.811 million as of December 31, 2020 could not be ascertained.

4.9. **We recommended that Management:**

a. **Require the concerned Custodians to: (i) account for the discrepancy noted between the balances of GL and the RPCI of Ex-Deal Items; and (ii) submit RSMI or its equivalent to the Accounting Section to facilitate recording of issuances of the items.**

b. **Install adequate internal control system over the receipt and issuance of Ex-Deal Items to prevent misuse thereof and, if warranted, investigate whether there are losses due to misappropriation of Ex-Deal Items received in CY 2020.**

c. **Assign to Property Section the responsibility on the receipt and issuance of Ex-Deal Items received by the Network.**

d. **Require the Finance Division to provide adequate disclosure on Ex-Deal Items in the Notes to Financial Statements in compliance with Paragraph 39 of IPSAS 9.**

4.10. Management took note of the recommendations and committed to implement the same.

4.11. As a rejoinder, the Audit Team acknowledged the commitment of Management to implement the audit recommendations, which will be monitored in CY 2021 audit.

B. NON-FINANCIAL

5. Rice Subsidy and Educational Assistance amounting to P5.629 million and P2.457 million, respectively, or totaling P 8.086 million were granted to PTNI officials and employees without approval from the Office of the President (OP) and despite the amount of P16.720 million for the provision of Rice Subsidy and Educational Assistance in the Fiscal Year (FY) 2020 Corporate Operating Budget (COB) of the Network was disapproved by the Department of Budget and Management (DBM), for lack of legal basis.

5.1. Section 5 of Presidential Decree (PD) No. 1597, provides that:

> *Allowances, honoraria and other fringe benefits which may be granted to government employees, whether payable by their respective offices or by other agencies of government shall be subject to the approval of the President upon recommendation of the Secretary of the Department of Budget and Management.*

5.2. Post audit of the Disbursement Vouchers (DVs) showed that in CY 2020, the Network granted to its officials and regular employees without approval from the OP the Rice Subsidy and Educational Assistance amounting to P5.629 million and P2.457 million, respectively, or totaling P8.086 million, as summarized in Table 12.

Table 12 – Summary of Educational Assistance and Rice Subsidy Granted to PTNI Officials and Employees in CY 2020

Particulars	DV No./ Date	Amount
Educational Assistance :		
Permanent employees	2020-01-0073/Jan. 15,2020	P 248,000
Contractual employees	2020-01-0074/ Jan. 15, 2020	12,000
Permanent employees - provincial	2020-01-0075/Jan.15, 2020	56,000
Contractual employees- provincial	2020-01-0076/ Jan. 15, 2020	2,000
Permanent & contractual employees	2020-11-1674/Dec. 18, 2020	1,580,000
Contractual employees	2020-11-1675/ Dec. 18, 2020	65,000
Provincial employees	2020-11-1676/ Dec. 23, 2020	325,000
Provincial employees	2020-11-1677/ Dec. 18, 2020	13,000
Regular employees	2020-11-1468/ Nov. 19, 2020	110,000
Contractual employees	2020-11-1469/ Nov. 19, 2020	4,000
Provincial employees	2020-11-1470/ Nov. 19, 2020	25,000
Provincial employees	2020-11-1471/ Nov. 19, 2020	1,000
Permanent & contractual employees	2020-11-1486/ Nov. 23, 2020	16,000
		2,457,000
Rice Subsidy:		
Permanent employees	2020-01-0069/ Jan. 15, 2020	1,464,667
Contractual employees	2020-01-0070/ Jan. 15, 2020	72,000
Permanent employees - provincial	2020-01-0071/ Jan. 15, 2020	336,000
Contractual Employees- provincial	2020-01-0072/ Jan. 15, 2020	12,000
Regular employees	2020-11-1468/ Nov. 19, 2020	2,640,000
Contractual employees	2020-11-1469/ Nov. 19, 2020	96,000
Provincial employees	2020-11-1470/ Nov. 19, 2020	600,000
Provincial employees	2020-11-1471/ Nov. 19, 2020	24,000
Permanent & contractual employees	2020-11-1486/ Nov. 23, 2020	384,000
		5,628,667
		P8,085,667

5.3. Further verification disclosed that based on the approved FY 2020 COB of PTNI, the amounts of P10.560 million and P6.160 million or totaling P16.720 million representing budget for the grant of Rice Subsidy and Educational Assistance, respectively, were disapproved by the DBM for lack of legal basis.

5.4. Perusal of the supporting documents of the DVs showed that the payments were based from the benefits and incentives under the Collective Negotiation Agreement (CNA) between the PTNI and People's Television Employees Association (PTEA). The Audit Team also took note of the Affidavit of Undertaking dated October 15, 2020 where a number of concerned PTNI employees committed to refund the said benefits should the same be questioned by COA.

5.5. Thus, absence of approval from the OP, the grant/payment of the Rice Subsidy and Educational Assistance to PTNI officials and employees has no legal basis and contrary to Section 5 of PD No. 1597.

5.6. The Audit Team would like to emphasize that under Section V of COA Circular No. 2013-003 dated January 30, 2013:

> *All COA Auditors are directed to disallow in audit all payments of allowances, incentives and other fringe benefits to all government officials and employees which have no legal basis and do not conform strictly with the laws, rules and regulations granting or authorizing such payments.*

5.7. **We recommended that Management require the PTNI officials and employees to refund the Rice Subsidy and Educational Assistance amounting to P5.629 million and P2.457 million, respectively, to avoid audit suspension and/or disallowance.**

5.8. Management took note of the observation and commits to seek approval from the OP on the grant of Rice Subsidy and Educational Assistance to PTNI officials and employees.

5.9. As a rejoinder, the Audit Team suggests that Management immediately seek approval from the OP on the grant of the subject benefits. The inability to submit the said approval within the timeframe agreed upon during the Exit Conference shall result in the issuance of a Notice of Disallowance (ND).

6. **The legality, validity and accuracy of the payments of the salaries of the permanent, contractual, and contract of service (COS) personnel in the total amount of P189.782 million for CY 2020 could not be ascertained due to non-submission of properly filled-up and signed/approved Daily Time Records (DTRs), contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.**

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

6.2. Section 4(6) of PD No. 1445 requires that financial transactions and operations of any government agency shall be supported with complete documentation.

6.3. 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 the limits of their respective appropriations. It further enumerated the documentary requirements for processing the payment of salaries and wages of the 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.

6.4. Further, Item C(1) of the Civil Service Commission (CSC) Memorandum Circular No. 21, series of 1991, provides that, "*all officers and employees shall record their daily attendance on the proper form or, whenever possible, have them registered on the bundy clock. Any other means of recording attendance may be allowed provided their respective names and signatures as well as the time of their actual arrival to and departure from office are indicated, subject to verification. Xxx.*"

6.5. Verification of the Accounting records disclosed that the PTNI incurred P189.782 million, inclusive of withholding taxes and other mandatory deductions, for the payment of the salaries of the permanent, contractual and COS personnel in CY 2020, as summarized in Table 13.

Table 13 – Salaries paid in CY 2020

Employment Status	Amount
Regular	P 52,578,444
Contractual	1,548,260
COS	135,654,835
Total	**P189,781,539**

6.6. However, the legality, validity and accuracy of the payments shown in Table 13 could not be verified due to non-submission of properly filled-up and duly signed/approved DTRs.

6.7. It is worth mentioning that the DTRs of the COS personnel for the months of January to June 2020 were submitted to the Audit Team on December 22, 2020. However, said DTRs were returned to the Administrative Division due to lack of signatures by the personnel concerned and non-approval by their respective supervisors. As at audit date, the said DTRs were not yet returned to the Audit Team.

6.8. The Audit Team would like to point out that this practice of submitting incomplete supporting documents specifically the DTRs for the payments of salaries of permanent, contractual and COS personnel has been observed for several years now.

6.9. **We reiterated our previous year's recommendation that Management require the Administrative Division to submit the properly filled-up and signed/approved DTRs of permanent, contractual and COS personnel, otherwise, the payments will be suspended in audit.**

6.10. Management took note of the recommendation and committed to: (a) submit/attach to the payrolls of permanent, contractual, and COS personnel all the documentary requirements, particularly the properly filled-up and signed/approved DTRs; (b) attach the certified true copies of the DTRs of the regular employees effective August 2021 pay period; (c) submit the DTRs of the COS personnel as soon as these are available and requested that the Audit Team give PTNI ample time to comply with the same due to the limited workforce as of the moment; and (d) comply with the audit recommendation and that this would be the last time that this observation will be included in the Annual Audit Report on PTNI.

6.11. As a rejoinder, the Audit Team requests that Management immediately submit the properly filled-up and duly signed/approved DTRs of permanent, contractual and COS personnel for payments of salaries in CYs 2020, 2019 and 2018, to avoid issuance of Notice of Suspension (NS).

7. **Thirteen (13) contracts including their supporting documents totaling P148.046 million were not submitted to the Office of the Auditor within five (5) working days from the execution thereof, with delays ranging from 28 to 155 working days, contrary to Section 3.1 of COA Circular No. 2009-001 dated February 12, 2009 and hindered the timely auditorial and technical review and communication of any defects/deficiencies noted in audit.**

7.1. Section 3.1 of COA Circular No. 2009-001 dated February 12, 2009 states that, "*Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned.*"

7.2. Section 4.1 of the same COA Circular states that any unjustified failure of the officials and employees concerned to comply with the requirements herein imposed shall be subject to the administrative disciplinary action provided in Section 127 of PD No. 1445.

7.3. Verification showed that 13 contracts entered into by the PTNI with various contractors/suppliers totaling P148.046 million (Table 14) were not submitted to the Office of the Auditor within five (5) working days from the execution thereof, contrary to the above-cited provision of COA Circular No. 2009-001.

Table 14 – List of Contracts not submitted to COA within the Reglementary Period

Name of Project	Contract Amount	Date of Notice to Proceed (Conforme)	Date Submitted to COA	No. of Working Days Delayed
Supply and Delivery of Live U 200 and 500 Extended Warranty Service Level Agreement (SLA) for Cellular Bonded Transmitter and Receiver from Hardware to Software for the PTNI	P1,550,000	June 18, 2020	Feb. 3, 2021	155
Supply, Delivery, Testing and Commissioning of Seventy - Five (75) pcs. of Electrolyte Capacitor Spare Parts of Analog Transmitter for the PTNI	2,750,000	July 20, 2020	Feb. 16, 2021	142
Design, Supply, Fabrication of Mounting Brackets and Installation and Testing of Antenna Panels for the Zamboanga Transmitter Station of the PTNI	2,900,000	Sept. 1, 2020	Jan. 26, 2021	99
Supply, Delivery, Installation, Testing, Commissioning and Training of Six (6) Units of Audio Processors for the Manila, Zamboanga, Guimaras, Naga, and Cotabato Transmitter Stations of the PTNI	5,508,885	Aug. 14, 2020	Jan. 26, 2021	109
Supply, Delivery, Testing, Integration, Training and Commissioning of News Production Editing System with Complete Accessories for the Mindanao Media Hub of the PTNI (Negotiated Procurement: @ Failed Biddings)	22,888,000	Sept. 3, 2020	Jan. 26, 2021	97
Supply, Delivery, Design, and Retrofitting of the Quezon City TV Broadcast Transmitter Tower including Rehabilitation of Building/Transmitter Shelter, Grounding and Lightning Protection System and Installation of Digital Terrestrial Television (DTT) Antenna System for the PTNI	57,551,879	Oct. 23, 2020	Jan. 26, 2021	61
Supply, Delivery, Installation, Supervision, Training, Testing and Commissioning of One (1) Set of Licensed Professional RF Network Planning Software for the PTNI.	2,980,320	Oct. 7, 2020	Jan. 26, 2021	73

Name of Project	Contract Amount	Date of Notice to Proceed (Conforme)	Date Submitted to COA	No. of Working Days Delayed
Supply, Delivery, Installation, Testing, Training and Commissioning of One (1) Set of 10-KW Liquid-Cooled, Band IV-V ISD-T Digital Transmitter with Complete Electronic & Electrical System and Accessories for the PTNI.	27,408,968	Oct. 30, 2020	Jan. 26, 2021	56
Re-bid of the Provision of security services of PTNI Manila Office and Provincial Stations	16,721,208	Nov. 24, 2020	Feb.16, 2021	54
Design, Supply, Delivery, Installation, Configuration, Testing and Commissioning of the 100 Megabits per second (100 mbps) High Speed Dedicated Internet service connection for the Mindanao Hub of the PTNI	1,899,999	Dec. 3, 2020	Jan. 26, 2021	33
Rebid of the Procurement of Appreciation Basket	3,776,479	Dec. 21, 2020	Feb. 3, 2021	28
Engagement of Services for the conduct of Onsite and Office COVID-19 Rapid Antibody Screening Test for the Manila Based Personnel (Co-Terminous, Plantilla, COS & JO) & other Government Personnel having Office within the compound of PTNI	1,020,000	July 13, 2020	Feb.16, 2021	147
Provision of Disinfection and Sanitation for the PTNI	1,090,000	July 17, 2020	Feb. 16,2021	143
Total	**P148,045,737**			

7.4. As can be gleaned from Table 14, the delay in the submission of the contracts and their supporting documents to COA ranged from 28 to 155 working days, thus, hindered the conduct of timely auditorial and technical review and communication of any defects/deficiencies noted in audit to Management for appropriate action.

7.5. The Audit Team would like to emphasize that Section 4.2 of COA Circular No. 2009-001 states that upon receipt of information or discovery by the auditor of such failure by Management to comply with the required submission, an Audit Observation Memorandum shall be issued by him calling the attention of the latter, and requesting compliance, or else the transactions covered by the unsubmitted documents be suspended in audit and the penalty prescribed by law under Section 4.1 be enforced.

7.6. **We recommended and Management agreed to submit all contracts and their supporting documents to the Office of the Auditor within five (5) working days from execution thereof in compliance with Section 3.1 of COA Circular No. 2009-001 dated February 12, 2009.**

7.7. Management justified that the delay in the submission of the contracts and their supporting documents was due to the limited workforce and supplies in CY 2020.

8. **Cash advances (CAs) totaling P7.415 million granted in CY 2020 and prior years were not liquidated as of December 31, 2020 and, accountable officers (AOs) with unliquidated CAs were granted additional CAs, contrary to Sections 5 and 4.1.2, respectively, of COA Circular No. 97-002 dated February 10, 1997. Moreover, CAs granted were not supported with proper documentation, contrary to COA Circular No. 2012-001 dated June 14, 2012.**

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

8.2. The pertinent provisions of COA Circular No. 97-002 dated February 10, 1997 on the liquidation of CA provide that:

> *5.1 The AO shall liquidate his cash advance as follows:*
>
> *5.1.1 Salaries, Wages, etc. - within five (5) days after each fifteen (15) day/end of the month pay period;*
>
> *5.1.2 Petty Operating Expenses and Field Operating Expenses - within twenty (20) days after the end of the year; subject to replenishment as frequently as necessary during the year.*
>
> *5.1.3 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 the case of local travel, as provided for in EO 248 and COA Circular No. 96-004.*
>
> *Failure of the AO to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the instruction of other sanctions as provided for under paragraphs 9.2 and 9.3 hereof.*
>
> *Xxxx*
>
> *5.7 When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be*

returned to or refunded immediately to the collecting officer.

5.8 *All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official.*

CAs totaling P7.415 million were not liquidated as of December 31, 2020

8.3. Review of the liquidation reports on the CAs for traveling and other expenses revealed that CAs totaling P7.415 million granted in CY 2020 and prior years remained unliquidated as of December 31, 2020, breakdown in Table 15.

Table 15 – Breakdown of Outstanding CAs as of December 31, 2020

Year Granted	Aged in Years	No. of CAs Outstanding	Amount
2020	below 1 year	73	P5,244,731
2019	1 year	23	327,751
2018	2 years	16	408,221
2017	3 years	20	293,957
2016 and prior years	4 years and more	No Data	1,140,865
Total			P7,415,525

8.4. It was also observed that the CAs granted in CY 2016 and prior years amounting P1.140 million could no longer be identified and the amount was only presented as variance between the balances of the SLs and the GL. Inquiry with the concerned Accounting personnel revealed that these unidentified balances already existed even before he handled the Advances (Due from Officers and Employees) account.

8.5. Further, interview disclosed that demand letters were already sent to all AOs who have outstanding CAs and are still in active service, but liquidations made are still very minimal.

AOs with unliquidated CAs were granted additional CAs, contrary to Section 4.1.2 of COA Circular No. 97-002

8.6. Sections 4.1.2 and 4.1.3 of COA Circular No. 97-002 state that:

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

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

8.7. Review of the Schedule of CAs provided by the Finance Division disclosed that some officials and employees were granted additional CAs despite non-liquidation of their previous CAs, contrary to Section 4.1.2 of COA Circular No. 97-002, details are presented in Table 16.

Table 16 – List of AOs with Unliquidated CAs but were Granted Additional CA

AOs	No of CAs Outstanding	Amount
Executive Assistant I (Segment Producer/Writer)	3	P 174,490.00
Executive Assistant II (Segment Producer/Writer)	2	131,535.00
Production Assistant	2	160,637.15
Head, General Services	2	55,000.00
Electronics Communications Systems Operator A (ENG Van Systems Technician)		
Anchor	2	1,679.01
News Reporter	2	12,685.00
News Reporter	2	1,910.00
Special Projects Coordinator	2	28,213.70
Engineer I (Engineering Planning & Research Assistant)	3	475,200.00
News Reporter	3	49,376.14
Media Production Specialist III (Executive Producer)	3	9,894.14
Script Writer I (Segment Producer/Writer)	6	257,010.00
TV Station Manager	2	37,750.00
Technical Assistant for Legal Affairs	3	21,861.35
Executive Assistant IV	3	47,776.64
TV Cameraman I	5	161,080.42
	2	35,615.00
Electronics Communications Systems Operator A	2	13,903.00
Electronics Communication Systems Operator A (ENG Van Systems Technician)	3	38,756.76
News Reporter I	5	42,393.67
Provincial Traffic Officer B (Network Controller II)	3	546,850.00
Total		**P2,303,616.98**

CAs were not supported with proper documentation

8.8. 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 travels, which shall include: (a) authority of the 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.

8.9. Post-audit disclosed that all CAs granted were not supported with a certification from the Accountant that previous CA of the AO has been liquidated and accounted for in the books. Such certification is important to prevent granting of additional CAs to personnel having outstanding ones.

8.10. **We reiterated our prior year's audit recommendations that Management:**

a. **Require the concerned AOs to immediately liquidate their outstanding CAs in compliance with Section 5 of COA Circular No. 97-002; and**

b. **Instruct the Finance Division to comply strictly with the required documentary requirements in the grant and liquidation of CAs.**

8.11. **We likewise recommended that Management direct the Accounting Section to: (a) closely monitor all CAs due for liquidation; and (b) send regularly demand letters to AOs within ten (10) days before the expiration of the prescribed period of liquidation to prevent further accumulation of unliquidated CAs.**

8.12. Management commented that the Finance Division has been implementing the non-issuance of additional CAs to employees who have not yet submitted their liquidations. However, there are instances when granting of another CA is unavoidable because of a limited number of regular employees and the urgency of the travel such that the AO commits to liquidate the CA upon return but is unable to do so because of another travel. However, PTNI took note of the recommendations and committed to implement the same.

8.13. As a rejoinder, the Audit Team reiterates the recommendation that Management strictly comply with the provisions of COA Circular No. 97-002 dated February 10, 1997 on the granting and liquidation of CAs. Their full compliance with the recommendations will be monitored in CY 2021 audit.

9. **Payments of gasoline expenses amounting to P3.129 million for CY 2020 were not supported with Monthly Report of Official Travels, Monthly Report of Fuel Consumption and duly accomplished driver's trip tickets, contrary to Item B of the Manual on Audit for Fuel Consumption of Government Motor Vehicles prescribed under COA Circular No. 77-61.**

9.1. Items B(2), B(4) and B(7) of the Manual on Audit for Fuel Consumption of Government Motor Vehicles provide the general and specific rules and regulations governing gasoline and oil consumption, quoted as follows:

> *B(2). Use of government vehicles shall be properly controlled and regulated.*
>
> *B(4). Monthly Report of Fuel Consumption of government motor transportation (Appendix G) shall be submitted to*

the Auditor for verification purposes to determine the reasonableness of fuel consumed during the period. Xxx

B(7). In addition, no disbursement voucher for fuel consumption (gasoline and oil) of government vehicles shall be allowed in audit unless duly supported by properly accomplished and approved serially numbered driver's trip tickets, and that the government vehicles involved are plainly marked "For Official Use Only" and bear government plates only with the exception of security vehicles exempt from using government plates.

9.2. Notwithstanding the above provisions, post-audit of DVs relative to the payments of gasoline for CY 2020 totaling P3.129 million revealed that the daily driver's trip tickets attached to the DVs were not properly accomplished by the concerned personnel. The kilometer reading, time in and out, duration of trip, and company/place to visit were not indicated therein.

9.3. Further, the Monthly Report of Official Travels and Monthly Report of Fuel Consumption were not submitted to the Audit Team for verification purposes, thus the reasonableness of the gasoline expenses was not established.

9.4. **We recommended that Management:**

a. **Comply strictly with the rules and regulations governing the fuel consumption of government motor vehicles prescribed under COA Circular No. 77-61; and**

b. **Instruct the Administrative Division to prepare and submit to the Audit Team the Monthly Report of Official Travels and Monthly Report of Fuel Consumption, for audit purposes.**

9.5. Management committed to comply with the audit recommendations. The Administrative Division was instructed to prepare and submit to COA the Monthly Report of Official Travels and Monthly Report of Fuel Consumption starting August 2021.

9.6. As a rejoinder, the Audit Team requests that Management also submit the required documents for CY 2020 transactions to avoid issuance of an NS. Likewise, PTNI's full compliance with the recommendations will be monitored in CY 2021 audit.

GENDER AND DEVELOPMENT (GAD)

10. The PTNI was not able to secure endorsement from the Philippine Commission on Women (PCW) for its CY 2020 GAD Plan and Budget (GPB) amounting to P27.677 million. Likewise, the Network allotted only 4.01 per cent of its Corporate Operating Budget (COB) amounting to P689.655 million

for the implementation of GAD programs, projects and activities (PPAs), contrary to PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM) Joint Circular No. 2012-01 and other related PCW issued Memorandum Circulars (MCs). Moreover, the GAD Accomplishment Report (AR) showed that only six (6) GAD PPAs were implemented with actual expenditures of P8.006 million or 28.93 per cent of the total GPB.

10.1. This is a reiteration with updates of the previous year's audit observations on GAD, as Management was not able to fully implement the recommendations.

10.2. The PCW-NEDA-DBM issued Joint Circular No. 2012-01 to provide the guidelines for the preparation of the annual GPB and GAD AR to implement the Magna Carta of Women (MCW). Pertinent portions of which state that:

> *2.3 Pursuant to the MCW and the General Appropriations Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five per cent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.*
>
> *Xxxx*
>
> *6.0 COSTING AND ALLOCATION OF THE GAD BUDGET*
>
> *6.1 At least five per cent (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.*

10.3. Likewise, Section 4.0 of PCW MC No. 2019-02, *on the Preparation and Online Submission of Fiscal Year (FY) 2020 Gender and Development (GAD) Plans and Budgets*, provides that the deadline of encoding and submission to PCW of FY 2020 GPBs of the Government Owned and Controlled Corporations through the Gender Mainstreaming Monitoring System (GMMS) is on September 30, 2019.

10.4. Verification of compliance by the PTNI with the pertinent provisions of PCW-NEDA-DBM Joint Circular No. 2012-01 and related PCW MCs disclosed that the Network was not able to secure endorsement from the PCW for its CY 2020 GPB.

10.5. The PTNI prepared its CY 2020 GPB with an allocation of P27.677 million or 4.01 per cent of its total approved CY 2020 COB amounting to P689.655 million, which is not in accordance with Sections 2.3 and 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01, requiring that at least five per cent (5%) of the total COB be allocated for GAD PPAs.

10.6. The Audit Team also noted that the Network was able to implement only six (6) GAD PPAs with actual expenditures of P8.006 million or 28.93 per cent of the total GPB of P27.677 million with 17 PPAs.

10.7. In the absence of a PCW-endorsed GPB, the Audit Team could not properly evaluate whether the six (6) PPAs implemented in CY 2020 as indicated in the GAD AR were related to and addressed the PTNI's gender issues.

10.8. **We reiterated our prior year's audit recommendations that Management:**

a. **Require the GAD Focal Point System (GFPS) to submit the GPB to PCW within the prescribed deadline to obtain a PCW-endorsed GPB; and**

b. **Comply strictly with the requirement of at least five per cent (5%) of the COB be allocated for GAD PPAs as provided under Sections 2.3 and 6.1 of PCW-NEDA-DBM Joint Circular No. 2012-01.**

10.9. **We further recommended that Management direct the GFPS to ensure the implementation of all PPAs indicated in the GPB.**

10.10. Management commented that PTNI was able to submit its CY 2020 GPB to PCW within the prescribed deadline. However, due to some miscommunications, the PCW's endorsement was not obtained. Moreover, PTNI was restricted to implement all GAD PPAs because of the COVID-19 pandemic.

COMPLIANCE WITH TAX LAWS

11. **The PTNI did not remit to the Bureau of Internal Revenue (BIR) the total amount of P178.765 million representing taxes withheld in prior years, contrary to pertinent BIR Regulations.**

11.1. For CY 2020, 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 withheld taxes to the BIR.

11.2. However, the taxes withheld pertaining to prior years amounting to P178.765 million were still not remitted to the BIR.

11.3. Section 58 (A) of the National Internal Revenue Code (NIRC) states that the taxes deducted and withheld under Section 57 by withholding agents shall be covered by a return and paid to, except in cases where the Commissioner otherwise permits, an authorized agent bank, revenue district officer, collection agent, or duly authorized treasurer of the city or municipality where the withholding agent has his legal residence or principal place of business, or where the withholding agent is a corporation, where the principal office is located. The return for final withholding tax shall be filed and the payment made within twenty-five (25) days from the close of each calendar quarter, while the return for creditable withholding taxes shall be filed and the payment made not later than the last day of the month following the close of the quarter during which withholding was made.

11.4. Also, Section 81 of the NIRC requires that taxes deducted and withheld by the employer on wages of employees shall be covered by a return and paid to an authorized agent bank; collection agent, or duly authorized treasurer of the city or municipality where the employer has his legal residence or principal place of business, or in case the employer is a corporation, where the principal office is located.

11.5. The non-remittance of the amount withheld within the prescribed period is not only contrary to the above-stated provisions but consequently the PTNI might be subject to imposition by the BIR of interests, penalties, and surcharges. Likewise, the National Government had been deprived of additional revenue for its various programs and projects.

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

11.7. Management commented that the unremitted taxes are carry-over amounts from previous years. However, PTNI will settle in CY 2021 the amount through a tax subsidy and will seek the assistance from the COA Government Accountancy Sector (GAS) regarding the appropriate accounting entries to record the remittance through a tax subsidy.

11.8. During the Exit Conference, Management was advised to write a formal letter to the COA GAS to seek assistance on the proper accounting treatment of the tax amnesty extended to the Network in the form of tax subsidy.

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

12. PTNI did not remit the total amount of P4.837 million, P6.924 million and P87,130 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.

12.1. Section 6 of the Implementing Rules and Regulations on Republic Act (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.

(b) 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.

12.2. 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.

12.3. 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 10^{th} to the end of the month following the period covered.

12.4. 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.

12.5. Based on records, the PTNI did not remit the total amount of P4.837 million, P6.924 million and P87,130 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 HDMF Circular No. 275.

12.6. **We reiterated our previous year's audit recommendation that Management require the Finance Division to remit all GSIS, PhilHealth and Pag-IBIG premium contributions withheld/collected pursuant to Section 6 of the GSIS Act, Section 11 of PhilHealth Act and Section E.4 of HDMF Circular No. 275.**

12.7. Management commented that the balances of the accounts Due to GSIS, Pag-IBIG, and PhilHealth are carry-over amounts from previous years, hence, the need to identify and ascertain whether or not these have been remitted. There is an on-going reconciliation being conducted on this matter.

COMPLIANCE WITH PROPERTY INSURANCE LAW

13. Of the total insurable properties of P1.418 billion, only properties valued at P531.875 million were insured with the GSIS, contrary to RA No. 656, as amended by PD No. 245 and COA Circular No. 2018-002 dated May 31, 2018, thereby denying the Network of adequate and reliable protection against any damage to or loss of its properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty.

13.1. RA No. 656, otherwise known as the "Property Insurance Law," as amended by PD No. 245, requires all government agencies to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the GSIS.

13.2. Section 5.1 of COA Circular No. 2018-002 dated May 31, 2018 states that:

> *Heads of government agencies shall direct the pertinent official under his/her supervision to:*
>
> *a. Secure directly from the GSIS GIF, all insurances or bonds covering properties, contracts, rights of actions, and other insurable risks of their respective offices;*
>
> *b. Prepare the Property Inventory Form (PIF) listing of all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information (Annex A);*

c. *Extract from the Report on the Physical Count of Property, Plant and Equipment, as well as from the Report on the Physical Count of Inventories;*

d. *Xxxx*

13.3. Audit revealed that the PTNI was able to insure only the PPEs valued at P531.875 million. The other insurable properties totaling P886.219 million were not insured. These properties are located in Main and Provincial Stations of the Network. The breakdown of the uninsured properties is shown in Table 17.

Table 17 – List of Uninsured Properties

Account	Amount
Communication networks	P 633,143,436
Building	103,981,110
Other structure	3,611,132
Information & communication technology equipment	12,765,523
Communication equipment	460,054,667
Other machinery equipment	678,294
Motor vehicles	57,889,402
Furniture and fixtures	885,465
Lease asset improvements, buildings & other structures	933,251
Other PPE	144,152,021
Total	**1,418,094,301**
Less:	
Insured New building	531,875,376
Uninsured Properties	**P886,218,925**

13.4. Inability of insuring all insurable properties with the Property Insurance Law denies PTNI of adequate and reliable protection against any damage to or loss of its properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty.

13.5. **We recommended that Management instruct the Administrative Division to:**

a. **Update and/or revise the PIF to include all the insurable assets of the Network;**

b. **Prepare and submit immediately to the GSIS the PIF of those uninsured properties with corresponding costs/appraisal, for the assessment of insurance premiums; and**

c. **Henceforth, comply strictly with the provisions of RA No. 656, as amended by PD No. 245, and COA Circular No. 2018-002.**

13.6. Management took note of the recommendations and committed to implement the same.

SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

14. Based on the Statement of Audit Suspensions, Disallowances and Charges (SASDC) issued as of December 31, 2020, the unsettled audit disallowances amounted to P100.041 million, of which P3.759 were already covered by Notices 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 suspension as of December 31, 2020 amounted to P62.111 million. Details of the unsettled ND and NS are shown in Table 18.

Table 18 - Unsettled ND and 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	P 60,009,560.00	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#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#2011-2011-001(10)	Liquidation of travel expenses – NS matured into ND	500.00	Deceased employee
ND#2018-01(17)	Payment of BAC honoraria to COS employees	30,000.00	For salary deduction
ND#2012-07-001(2005)	Deficiencies in the liquidation of expenditure under Barter Liquidation Voucher Nos. 365, 366, 367, 369, 370, 371, 372, 373 and 375.	3,473,133.20	With NFD
Total NDs		**P100,041,175.18**	
NS#2018-04(17)	Non-recording of disbursements in the PTNI books under Dollar Savings Account from Sept. 3, 2012 to Dec. 31, 2017	P 62,110,879.00	Compliance under evaluation
Total NS		**P62,110,879.00**	

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

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

Of the 39 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 16 were fully implemented, 8 were partially implemented and 15 were not implemented. Details as follows:

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
AAR 2019 Financial Audit Observation (AO) No. 1 Page 44	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	We reiterated our prior years' 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.	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 1 of this Report.
		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	Fully Implemented.
		b. Submit to the Audit Team the documents/details of debit memos totaling P191,000 recognized in the books pursuant to Section 4(6) of PD No. 1445.	Not Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	was contrary to Section 4(6) of Presidential Decree (PD) No. 1445.		
AO No. 2 Page 47	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.	We reiterated our previous year's recommendations and Management agreed to:	
		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 Audit Team in compliance with COA Circular No. 80-124 dated January 18, 1980;	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 2 of this Report.
		b. Instruct the Accounting and Property Sections to: (i) determine the causes for 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	Partially Implemented.
		c. Instruct the Accounting Section to analyze the overprovision of depreciation on Office Equipment account	Not Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
		and make the necessary adjustments in the books to reflect the accurate balance thereof.	
AO No. 3 Page 52	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 PPE account by the said amount as of December 31, 2019.	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	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 2 of this Report.
		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 P4.968 million.	Not Implemented.
AO No. 4 Page 53	The reliability, validity and accuracy of the balance of 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 balance per general ledger (GL) and the subsidiary ledger (SLs). Likewise, confirmation of the accounts resulted in	We recommended and Management agreed to:	
		a. Instruct the Finance Division to reconcile the balances between the GL and SL of the AR-Trade account and prepare the necessary adjusting entry, if any;	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 3 of this Report.
		b. Provide complete information/ addresses of clients	Partially Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	either "return to sender" or had no reply at all.	for purposes of monitoring collections of receivables; and	
		c. Send demand letters/billing statements to all debtors of PTNI.	Fully Implemented.
Other Observations AO No. 5 Page 56	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).	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;	Fully Implemented.
		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	Not Implemented.
		c. Ensure that all procurements must undergo procurement process in accordance with RA No. 9184 and its RIRR.	Fully Implemented.
AO No. 6 Page 57	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	We reiterated our prior year's recommendations and Management agreed to:	
		a. Stop the practice of engaging janitorial	Fully Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	the RIRR of RA No. 9184 and Section 4(6) of PD No. 1445.	services without undergoing the procurement process prescribed under RA No. 9184 and its Revised IRR; and	
		b. Submit the approved Job Order Contract to the Audit Team to avoid issuance of a Notice of Suspension (NS).	Fully Implemented.
AO No. 7 Page 59	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 and Budget Management (DBM)-approved Corporate Operating Budget (COB) of PTNI for FY 2019.	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.	Fully Implemented.
		b. Comply strictly with provisions of the GAA and the conditions set-forth in the DBM-approved COB of the Network.	Fully Implemented.
AO No. 8 Page 61	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	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	Fully Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	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.	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.	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 6 of this Report.
AO No. 9 Page 63	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.	We recommended that Management:	
		a. Implement strictly the PTNI-approved New Airtime Rate Card and the Programming Guidelines for Co-Productions and Blocktimers;	Fully Implemented.
		b. Hold liable the signatories of various broadcast contracts with reduction in discounted airtime rates without Governing Board's approval; and	Partially Implemented.
		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.	Fully Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
AO No. 10 Page 67	Expected sales performance from co-production programs for the period January to June 2018 and additional revenues amounting to P10.537 million could have been achieved and realized had the Network conducted review of the programs' sales performance after its first month of telecast, in compliance with the provisions under Item B, Section III of the Programming Guidelines for Co-Productions and Blocktimers.	We recommended and Management agreed to:	
		a. Conduct review of the sales performance of 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	Partially Implemented.
		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.	Partially Implemented.
AO No. 11 Page 69	The actual airtimes consumed by various TV programs for the period January to June 2018 exceeded the agreed airtimes which were not in accordance with the Memoranda of Agreement (MOA)/ 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	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	Fully Implemented.
		b. Impose overtime charges/fees on TV programs which exceeded the agreed airtime.	Not Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	spots in which revenue could have been generated.		
AO No. 12 Page 70	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.	We recommended and Management agreed to:	
		a. Expedite the preparation and finalization of MOA; and	Fully Implemented.
		b. Ensure that a valid and existing written agreement is available before the broadcast of the TV Programs.	Fully Implemented.
AO No. 13 Page 72	Payment 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 Statements of Account/Bills, contrary to Section 4(6) of PD No. 1445 and Section 6.1 of COA Circular No. 2012-001 dated June 14, 2012.	We recommended and Management agreed to require the Provincial Stations to submit the Official Receipts or machine validated Statements of Account/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.	Not Implemented. Official Receipts or machine validated Statements of Account/Bills were still not submitted amounting to P1.388 million. For issuance of Notice of Suspension.
AO No. 14 Page 73	Cash advances for local travels were not liquidated within 30 days after 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	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-	Not Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 8 of this Report.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	to COA Circular No. 2012-001 dated June 14, 2012.	002; and	
		b. Comply strictly with the required documentary requirements in the grant and liquidation of cash advances.	Not Implemented.
AO No. 15 Page 75	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.	We recommended and Management agreed to:	
		a. Strictly comply 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;	Fully Implemented.
		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	Not Implemented.
		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.	Fully Implemented.
AO No. 16 Page 77	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 was	We reiterated our previous year's recommendations and Management agreed to:	
		a. Submit the duly revised GPB to the	Partially Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTIONS TAKEN/ COMMENTS
	unable to resubmit the revised GPB to PCW within the prescribed period; thus, the Network had no CY 2019 PCW-endorsed GPB, contrary to the provisions of 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.	PCW within the prescribed period to obtain a PCW-endorsed GPB; and	Updated and reiterated in Part II – Observation and Recommendation No. 10 of this Report.
		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.	Not Implemented.
AO No. 17 Page 79	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.	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.	Partially Implemented. Updated and reiterated in Part II – Observation and Recommendation No. 11 of this Report.
AO No. 18 Page 80	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 premium/ 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/ withheld 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. 12 of this Report.