



*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, 2021 and 2020**

## 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 members from the Government Sector;
- b. Two members from the Private Sector, one of whom shall have at least 10 years of experience in the broadcast industry; and
- c. One 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, 2021, the Members of the Board were comprised of Mr. Julio Onia Castillo, Jr. (Chairperson), Ms. Maria Fe Pili Alino (Vice-Chairperson), Mr. Ben-Hur Banaag Baniqued (Acting Member), and Ms. Julieta C. Lacza (Member).

The PTNI has 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, 2021: PTV-4 Manila, PTV-8 Baguio and PTV-11 Davao.

As of December 31, 2021, the Network had a total work force of 691 personnel, consisting of the following:

Nature of Appointment	No. of Personnel
Permanent	
Contractual	139
Contract of Service (Talents)	6
	546
	691

## FINANCIAL HIGHLIGHTS (In Philippine Peso)

### I. Comparative Financial Position

	2021	2020	Increase (Decrease)
Assets	3,466,614,869	3,299,189,546	167,425,323
Liabilities	642,115,418	715,157,791	(73,042,373)
<b>Net assets/equity</b>	<b>2,824,499,451</b>	<b>2,584,031,755</b>	<b>240,467,696</b>

### II. Comparative Financial Performance

	2021	2020	Increase (Decrease)
Revenue	213,728,133	170,501,527	43,226,606
Subsidy	561,298,533	615,145,313	(53,846,780)
Current operating expenses	(495,660,349)	(428,570,458)	(67,089,891)
Non operating income	2,316,029	58,006	2,258,023
Gains and (losses)	478,901	(491,993)	970,894
<b>Net surplus</b>	<b>282,161,247</b>	<b>356,642,395</b>	<b>(74,481,148)</b>

### III. Comparison of 2021 Budget and Actual Amounts

	Approved COB	Actual	Difference Final Budget vs Actual
Receipts	305,281,787	318,672,133	(13,390,346)
Payments:			
Personal services	135,705,000	86,596,705	49,108,295
Maintenance and operating expenses	267,742,000	272,703,897	(4,961,897)
Capital expenditures	5,000,000	-	5,000,000
<b>Net Receipts/(Payments)</b>	<b>(103,165,213)</b>	<b>(40,628,469)</b>	<b>(62,536,744)</b>

## 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) 2021 in accordance with International Standards of Supreme Audit Institutions. 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, 2021 and 2020, in view of the following:

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account amounting to P348.617 million as of December 31, 2021 could not be established due to discrepancies between bank confirmation and balance per books amounting to P23.743 million, in absolute amount, mainly because of five closed bank accounts in absolute amount totaling P20.828 million which are still recorded in the books, contrary to Paragraph 27 of IPSAS 1.
2. The faithful representation in the financial statements of the balance of Property, Plant and Equipment (PPE) account with carrying amount of P2.412 billion as of December 31, 2021 was not established due to variances between the balance per Accounting records and the Report on the Physical Count of PPE (RPCPPE) amounting to P557.244 million. Likewise, the non-derecognition of various unserviceable PPE items costing P36.189 million due to non-disposal thereof resulted in the overstatement of various PPE accounts in the same amount, contrary to Paragraph 82 of IPSAS 17. Moreover, the over-provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P19.222 million resulted in the overstatement of Depreciation Expense and Accumulated Depreciation in the amounts of P1.074 million and P19.222 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account both by P19.222 million.
3. The faithful representation in the financial statements of the balance of the Receivables account in the gross amount of P851.331 million and net book value of P236.006 million as of December 31, 2021 could not be ascertained in view of the: (a) unrecorded discrepancies between the balances per General Ledgers (GLs) and their Subsidiary Ledgers (SLs) in absolute amount of P121.986 million and accounts with no SLs totaling P134.130 million; and (b) variances between balance per books and the confirmed amount totaling P84.010 million while several accounts were either 'return to sender' or had no reply at all. Moreover, the non-recognition of Allowance for Impairment on Other Receivables account amounting P6.682 million in CY 2021 further affected the accuracy of its account balance.

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

- 1.1 Require the Accounting Section to:
  - a. Exert all efforts to determine the causes of the remaining unidentified variances, review/analyze the reconciling items, and effect necessary adjustments in the books to fairly present the Cash and Cash Equivalents account in the financial statements;



- b. Locate all the documents relative to the five closed bank accounts that are still recorded in the books;
- c. Determine the nature of the bank credit and debit memos and other book reconciling items not yet recorded in the books; and
- d. Make necessary adjustments accordingly.

2.1. Instruct the:

- a. Accounting and Property Sections to determine the causes of the variances noted between the books and the RPCPPE and effect necessary adjustments/corrections on the affected records;
- b. Disposal Committee to prepare the Inventory and Inspection Report of Unserviceable Property to facilitate the immediate disposal of the unserviceable properties and submit the same to the Accounting Section to serve as basis in derecognizing of P36.189 million;
- 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 correct balance thereof; and
- d. Accounting Section to adopt COA Circular No. 2020-006 dated January 31, 2020 pertaining to "one-time cleansing of PPE account balances of government agencies" to establish the PPE balances that are verifiable as to existence, condition and accountability.

3.1 Direct the Accounting Section to:

- a. Maintain complete SLs to support the GL's balances of the Receivables account;
- b. Reconcile the balances between the GLs and SLs of the Receivable accounts and prepare the adjusting entries, if necessary;
- c. Ensure that complete information/addresses of clients are indicated in the SLs for purposes of monitoring collections of receivables; and
- d. Provide Allowance for Impairment on Other Receivables for CY 2021 to reflect the correct balance of the said account.

3.2 Submit Request for Authority to Write-off for dormant account to COA, following the guidelines and procedures prescribed under COA Circular No. 2016-005 dated December 19, 2016.

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

- 4. Cash advances (CAs) totaling P15.000 million granted in CY 2021 and prior years were not liquidated as of December 31, 2021 and accountable officers

with unliquidated CAs were granted additional CAs, contrary to Sections 1.2 and 1.1 of COA Circular No. 2012-001 dated June 14, 2012. Moreover, CAs granted on CY 2021 were not supported with proper documentation, contrary to the same COA Circular.

- 4.1 We reiterated our prior years' audit recommendations that Management instruct the Finance Division to:
- a. Require the concerned Accountable Officers (AOs) to immediately liquidate their outstanding CAs in compliance with Section 1.2 of COA Circular No. 2012-001;
  - b. Comply strictly with the required documentary requirements on the grant and liquidation of CAs; and
  - c. Closely monitor and/or send regularly demand letters to AOs within 10 days before the expiration of the prescribed period of liquidation to avoid further accumulation of the unliquidated CAs.

#### **SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, CHARGES AND DISALLOWANCES**

As of December 31, 2021, there was no unsettled audit charge, while the details and status of the unsettled disallowances and suspensions amounting to P115.021 million and P74.093 million, respectively, at year-end are presented in Table 14, Part II of this Report.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 37 audit recommendations embodied in the prior year's Annual Audit Report, 12 were fully implemented, 12 were partially implemented and 13 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, 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 amounting to P348.617 million as of December 31, 2021 could not be established due to discrepancies between bank confirmation and balance per books amounting to P23.743 million, in absolute amount, mainly because of five closed bank accounts in absolute amount totaling P20.828 million which are still recorded in the books, contrary to Paragraph 27 of IPSAS 1.

Also, the faithful representation in the financial statements of the balance of Property, Plant and Equipment (PPE) account with carrying amount of P2.412 billion as of December 31, 2021 was not established due to variances between the balance per Accounting records and the Report of the Physical Count of PPE (RPCPPE) amounting to P557.244 million. Likewise, the non-derecognition of various unserviceable PPE items costing P36.189 million due to non-disposal thereof resulted in the overstatement of various PPE accounts in the same amount, contrary to Paragraph 82 of IPSAS 17. Moreover, the over-provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P19.222 million resulted in the overstatement of Depreciation Expense and Accumulated



Depreciation in the amounts of P1.074 million and P19.222 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account both by P19.222 million.

Likewise, the faithful representation in the financial statements of the balance of the Receivables account in the gross amount of P851.331 million and net book value of P236.006 million as of December 31, 2021 could not be ascertained in view of the: (a) unrecorded discrepancies between the balances per General Ledgers and their Subsidiary Ledgers (SLs) in absolute amount of P121.986 million and accounts with no SLs totaling P134.130 million; and (b) variances between balance per books and the confirmed amount totaling P84.010 million while several accounts were either 'return to sender' or had no reply at all. Moreover, the non-recognition of Allowance for Impairment on Other Receivables account amounting P6.682 million in CY 2021 further affected the accuracy of its account balance.

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, 2021, 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. PINALES**

OIC - Supervising Auditor

Audit Group G - Development, Media and Other Agencies

Cluster 6 - Social, Cultural, Trading, Promotional and Other Services

Corporate Government Audit Sector

June 9, 2022





**PEOPLE'S TELEVISION**  
P A R A S A B A Y A N

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 and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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.


The Board of Directors is responsible for overseeing the PTNI's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

The Commission on Audit has examined the financial statements of the PTNI in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
MS. MARIA P. ALIÑO  
Chairman of the Board

6/09/2022  
Date Signed

  
MS. MONETTA S. NIGOS  
Officer-In-Charge, Finance Division

6-09-2022  
Date Signed

  
MS. KATHERINE CHLOE S. DE CASTRO  
Network General Manager

June 9, 2022  
Date Signed

**PEOPLE'S TELEVISION NETWORK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
As at December 31, 2021 and 2020  
*(In Philippine Peso)*

	Note	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	348,616,806	301,232,396
Receivables	6	114,260,676	146,756,970
Inventories	7	3,048,352	2,811,352
Other current assets	10	456,378,041	433,748,426
<b>Total current assets</b>		<b>922,303,875</b>	<b>884,549,144</b>
<b>Non-current assets</b>			
Receivables	6	121,745,671	122,513,522
Property, plant and equipment	8	2,411,894,383	2,284,116,940
Intangible assets	9	9,069,643	6,408,643
Other non-current assets	10	1,601,297	1,601,297
<b>Total non-current assets</b>		<b>2,544,310,994</b>	<b>2,414,640,402</b>
<b>TOTAL ASSETS</b>		<b>3,466,614,869</b>	<b>3,299,189,546</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	11	5,093,879	3,073,046
Inter-agency payables	12	(7,945,171)	(24,706,814)
Trust liabilities	13	48,144,717	37,598,427
Deferred credits/unearned income	14	38,252,678	41,412,456
<b>Total current liabilities</b>		<b>83,546,103</b>	<b>57,377,115</b>
<b>Non-current liabilities</b>			
Financial liabilities	11	67,597,067	148,651,071
Inter-agency payables	12	356,996,575	374,291,213
Trust liabilities	13	57,354,280	58,216,999
Deferred credits/unearned income	14	74,212,792	74,212,792
Other payables	15	2,408,601	2,408,601
<b>Total non-current liabilities</b>		<b>558,569,315</b>	<b>657,780,676</b>
<b>TOTAL LIABILITIES</b>		<b>642,115,418</b>	<b>715,157,791</b>
<b>NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)</b>		<b>2,824,499,451</b>	<b>2,584,031,755</b>
<b>NET ASSETS/EQUITY</b>			
Accumulated surplus/(deficit)	26	1,824,499,451	1,584,031,755
Government equity	25	1,000,000,000	1,000,000,000
<b>TOTAL NET ASSETS/EQUITY</b>		<b>2,824,499,451</b>	<b>2,584,031,755</b>

*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, 2021 and 2020  
*(In Philippine Peso)*

	Note	2021	2020
<b>REVENUE</b>			
Service and business income	16	213,728,133	170,501,527
<b>TOTAL REVENUE</b>		<b>213,728,133</b>	<b>170,501,527</b>
<b>CURRENT OPERATING EXPENSES</b>			
Personnel services	17	86,596,705	93,331,729
Maintenance and other operating expenses	18	272,703,897	228,939,332
Financial expenses	19	20,036	16,674
Non-cash expenses	20	136,339,711	106,282,723
<b>TOTAL CURRENT OPERATING EXPENSES</b>		<b>495,660,349</b>	<b>428,570,458</b>
<b>SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS</b>		<b>(281,932,216)</b>	<b>(258,068,931)</b>
Other non-operating income	21.1	2,316,029	58,006
Gains	21.2	750,675	53,238
Losses	21.3	(271,774)	(545,231)
<b>SURPLUS/(DEFICIT) BEFORE SUBSIDY</b>		<b>(279,137,286)</b>	<b>(258,502,918)</b>
Assistance and subsidy from national government	22	561,298,533	615,145,313
<b>NET SURPLUS/ (DEFICIT) FOR THE PERIOD</b>		<b>282,161,247</b>	<b>356,642,395</b>

*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, 2021 and 2020  
(In Philippine Peso)

	Accumulated Surplus/(Deficit) Note 26	Government Equity Note 25	Total
<b>BALANCE AT JANUARY 1, 2020</b>	<b>1,268,167,317</b>	<b>1,000,000,000</b>	<b>2,268,167,317</b>
<b>Changes in Net Assets/Equity for CY 2020</b>			
Add/(deduct):			
Surplus for the period	356,642,395	-	356,642,395
Other adjustments	(40,777,957)	-	(40,777,957)
Surplus for the period	315,864,438	-	315,864,438
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>1,584,031,755</b>	<b>1,000,000,000</b>	<b>2,584,031,755</b>
<b>Changes in Net Assets/Equity for CY 2021</b>			
Add/(deduct):			
Surplus for the period	282,161,247	-	282,161,247
Other adjustments	(41,693,551)	-	(41,693,551)
<b>BALANCE AT DECEMBER 31, 2021</b>	<b>1,824,499,451</b>	<b>1,000,000,000</b>	<b>2,824,499,451</b>

*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, 2021 and 2020  
(In Philippine Peso)

	Note	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash inflows</b>			
Collection of revenue		250,607,379	172,948,844
Receipt of assistance/subsidy		561,298,533	615,145,313
Collection of receivables		1,221,792	-
Other receipts		2,693,405	4,930,028
<b>Total cash inflows</b>		<b>815,821,109</b>	<b>793,024,185</b>
Adjustments		4,067,746	1,802,301
<b>Adjusted cash inflows</b>		<b>819,888,855</b>	<b>794,826,486</b>
<b>Cash outflows</b>			
Payment of expenses		335,961,830	302,578,950
Payment of inventories		-	185,557
Grant of cash advances		15,247,063	13,802,641
Prepayments		2,618,214	4,220,543
Payment of accounts payable		948,245	2,281,352
Remittance of personnel benefit contributions		34,561,403	40,523,055
Other disbursements		677,019	-
<b>Total cash outflows</b>		<b>390,013,774</b>	<b>363,592,098</b>
Adjustments		14,324,609	-
<b>Adjusted cash outflows</b>		<b>404,338,383</b>	<b>363,592,098</b>
<b>Net cash provided by/(used in) operating activities</b>	23	<b>415,550,472</b>	<b>431,234,388</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash outflow</b>			
Purchase/construction of property, plant and equipment		368,166,062	266,276,512
<b>Total cash outflows</b>		<b>368,166,062</b>	<b>266,276,512</b>
Adjustments		-	-
<b>Adjusted cash outflows</b>		<b>368,166,062</b>	<b>266,276,512</b>
<b>Net cash provided by/(used in) investing activities</b>		<b>(368,166,062)</b>	<b>(266,276,512)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>47,384,410</b>	<b>164,957,876</b>
Effects of exchange rate changes		-	-
<b>Cash and cash equivalents, January 1</b>		<b>301,232,396</b>	<b>136,274,520</b>
<b>Cash and cash equivalents, December 31</b>	5	<b>348,616,806</b>	<b>301,232,396</b>

*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, 2021  
*(In Philippine Peso)*

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
	Note 27			
<b>RECEIPTS</b>				
Service and business income	200,337,787	200,337,787	213,728,133	(13,390,346)
Assistance and subsidy - MOOE	104,944,000	104,944,000	104,944,000	-
<b>Total receipts</b>	<b>305,281,787</b>	<b>305,281,787</b>	<b>318,672,133</b>	<b>(13,390,346)</b>
<b>PAYMENTS</b>				
Personnel services	144,277,000	135,705,000	86,596,705	49,108,295
Maintenance & other operating expenses	303,620,000	267,742,000	272,703,897	(4,961,897)
Capital outlay	5,000,000	5,000,000	-	5,000,000
<b>Total payments</b>	<b>452,897,000</b>	<b>408,447,000</b>	<b>359,300,602</b>	<b>49,146,398</b>
<b>NET RECEIPTS/(PAYMENTS)</b>	<b>(147,615,213)</b>	<b>(103,165,213)</b>	<b>(40,628,469)</b>	<b>(62,536,744)</b>

*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/or controlled corporation created by virtue of Republic Act (RA) No. 7306 dated March 26, 1992.

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

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

9. 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 in accordance with Section 4 of Executive Order 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 PTNI of similar financial assets when:

1. The contractual rights to the cash flows from the financial asset expired or waived; and
2. The PTNI has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 29 *Financial Instruments: Recognition and Measurement*; and either the entity has:
  - Transferred substantially all the risks and rewards of ownership of the financial asset; or
  - Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

### **iv. Impairment of financial assets**

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

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;
2. Default or delinquency in interest or principal payments;
3. The probability that debtors will enter bankruptcy or other financial reorganization; 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 is 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 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 assets 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 asset 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 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 (MOOE).

#### **c. Interest income**

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

### **3.12 Budget Information**

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

### **3.13 Related Parties**

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

### **3.14 Employee Benefits**

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

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

### **3.15 Measurement Uncertainty**

The preparation of financial statements in conformity with IPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and



liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, impairment of assets, etc.

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

#### **4. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

##### **4.1 Risk Management Framework**

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

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

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

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

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

<b>Financial assets</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents			
Receivables	5	348,616,806	301,232,396
	6	236,006,347	269,270,492
		<b>584,623,153</b>	<b>570,502,888</b>
<b>Financial liabilities</b>			
Financial liabilities			
Inter-agency payables	11	72,690,946	151,724,117
Trust liabilities	12	349,051,404	349,584,399
	13	105,498,997	95,815,426
		<b>527,241,347</b>	<b>597,123,942</b>

## 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 credit worthy 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 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. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the PTNI as of the years ended December 31, 2021 and 2020, without considering the effects of credit risk mitigation techniques.

	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Financial assets</b>			
Cash and cash equivalents	5	348,616,806	301,232,396
Receivables*	6	851,331,086	881,898,075
		<b>1,199,947,892</b>	<b>1,183,130,471</b>

\*Receivables at gross of allowance for impairment amounting to P615,324,739 and P612,627,583 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

	2021	2020
Outstanding receivables:		
Current accounts	48,562,338	105,286,912
Past due accounts:		
1 – 30 days past due	2,734,997	29,589,197
31 – 60 days past due	110,880	5,407,752
61 – 90 days past due	6,435,000	38,784,858
over 90 days past due	178,163,132	90,201,773
	<b>236,006,347</b>	<b>269,270,492</b>

**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, 2021.

<b>As at December 31, 2021</b>	<b>Within 1 Year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Financial liabilities	24,323,939	48,367,007	-	72,690,946
Inter-agency payables	8,662,231	2,061,422	338,327,751	349,051,404
Trust liabilities	11,385,786	50,071,947	44,041,264	105,498,997
	<b>44,371,956</b>	<b>100,500,376</b>	<b>382,369,015</b>	<b>527,241,347</b>



#### **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; and
- Risk mitigation, including insurance where this is effective.

## 5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020
Cash on hand	2,684,432	12,114,768
Cash in bank	2,684,432	12,114,768
Local currency		
Foreign currency	330,582,348	277,310,955
	15,350,026	11,806,673
	345,932,374	289,117,628
	<b>348,616,806</b>	<b>301,232,396</b>

### 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 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

	2021	2020
Current account - local currency	326,844,043	273,572,650
Savings account - local currency	3,738,305	3,738,305
	330,582,348	277,310,955
Current account - foreign currency	10,837,592	7,294,239
Savings account - foreign currency	4,512,434	4,512,434
	15,350,026	11,806,673
	<b>345,932,374</b>	<b>289,117,628</b>

The Current account (local currency) consists of General Fund for personnel services (PS), MOOE, and financial expenses – P127.150 million; and Equity Fund for capital outlay – P199.694 million. This is non-interest bearing depository account in LBP, Elliptical Road Branch.

## 6. RECEIVABLES

This account consists of the following:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Loans and receivable accounts-net	108,072,446	10,156,132	118,228,578	139,927,618	10,923,983	150,851,601
Other receivables	6,188,230	111,589,539	117,777,769	6,829,352	111,589,539	118,418,891
	<b>114,260,676</b>	<b>121,745,671</b>	<b>236,006,347</b>	<b>146,756,970</b>	<b>122,513,522</b>	<b>269,270,492</b>



## 6.1 Loans and Receivable Accounts

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Accounts receivable	174,098,039	546,199,137	720,297,176	204,023,906	546,199,137	750,223,043
Allowance for impairment – accounts receivable	(66,025,593)	(536,043,005)	(602,068,598)	(64,096,288)	(535,275,154)	(599,371,442)
	<b>108,072,446</b>	<b>10,156,132</b>	<b>118,228,578</b>	<b>139,927,618</b>	<b>10,923,983</b>	<b>150,851,601</b>

## 6.2 Other Receivables

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Receivables – disallowances/charges	-	68,452,628	68,452,628	-	68,452,628	68,452,628
Due from officers and employees	5,971,509	-	5,971,509	6,514,398	-	6,514,398
Other receivables	13,472,862	43,136,911	56,609,773	13,571,095	43,136,911	56,708,006
Allowance for impairment – other receivable	(13,256,141)	-	(13,256,141)	(13,256,141)	-	(13,256,141)
	<b>6,188,230</b>	<b>111,589,539</b>	<b>117,777,769</b>	<b>6,829,352</b>	<b>111,589,539</b>	<b>118,418,891</b>

The Receivables-disallowances/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.

	2021	2020
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
	<b>43,136,911</b>	<b>43,136,911</b>

Due from Officers and Employees account consists of receivable 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:

	2021	2020
<b>Other supplies and materials inventory</b>		
Carrying amount, January 1	2,811,352	2,796,352
Additions of ex-deal items during the year	237,000	15,000
<b>Carrying amount, December 31</b>	<b>3,048,352</b>	<b>2,811,352</b>

## 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
<b>As at December 31, 2020</b>					
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)
<b>Net book value, December 31, 2020</b>	<b>991,984,164</b>	<b>(3,785,045)</b>	<b>1,151,765,800</b>	<b>144,152,021</b>	<b>2,284,116,940</b>
<b>Opening book value, January 1, 2021</b>	<b>1,156,002,877</b>	<b>86,221,179</b>	<b>2,071,941,405</b>	<b>162,711,643</b>	<b>3,476,877,104</b>
Additions/Acquisitions	57,559,718	10,456,245	193,404,034	-	261,419,997
Adjustments:					
Accumulated depreciation	(164,018,713)	(90,006,224)	(920,166,155)	(18,559,622)	(1,192,750,714)
Adjustment	-	-	(18,900)	-	(18,900)
Accumulated impairment loss	-	-	9,450	-	9,450
Depreciation for the year	(9,158,927)	(4,235,030)	(120,248,597)	-	(133,642,554)
<b>Closing net book value, December 31, 2021</b>	<b>1,040,384,955</b>	<b>2,436,170</b>	<b>1,224,921,237</b>	<b>144,152,021</b>	<b>2,411,894,383</b>
<b>As at December 31, 2021</b>					
Cost	1,213,562,595	96,677,424	2,265,345,439	162,711,643	3,738,297,101
Accumulated depreciation	(173,177,640)	(94,241,254)	(1,040,414,752)	(18,559,622)	(1,326,393,268)
Adjustment	-	-	(18,900)	-	(18,900)
Accumulated impairment loss	-	-	9,450	-	9,450
<b>Net book value, December 31, 2021</b>	<b>1,040,384,955</b>	<b>2,436,170</b>	<b>1,224,921,237</b>	<b>144,152,021</b>	<b>2,411,894,383</b>

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 is composed of the following accounts:

	2021	2020
Development in progress		
Computer software	6,300,643	6,300,643
	2,769,000	108,000
	<b>9,069,643</b>	<b>6,408,643</b>

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

## 10. OTHER ASSETS

This comprises the following accounts:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Advances	45,340,020	-	45,340,020	37,755,825	-	37,755,825
Prepayments	410,492,232	-	410,492,232	395,446,812	-	395,446,812
Deposits	15,789	-	15,789	15,789	-	15,789
Other assets	530,000	1,601,297	2,131,297	530,000	1,601,297	2,131,297
	<b>456,378,041</b>	<b>1,601,297</b>	<b>457,979,338</b>	<b>433,748,426</b>	<b>1,601,297</b>	<b>435,349,723</b>

### 10.1 Advances

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

	2021	2020
Advances for operating expenses	553,044	361,267
Advances to special disbursing officer	8,119,928	1,094,095
Advances to officers and employees	36,667,048	36,300,463
	<b>45,340,020</b>	<b>37,755,825</b>

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) - disallowance/suspension of various disbursement.

	2021	2020
Advances to officers and employees	6,326,748	5,960,164
Advances to officers and employees-GSIS	29,264,039	29,264,039
Advances to officers and employees-SASDC	1,076,261	1,076,260
	<b>36,667,048</b>	<b>36,300,463</b>

## 10.2 Prepayments

Prepayments consist of the following account:

	2021	2020
Advances to contractors		
Prepaid rent	37,693,336	46,307,657
Prepaid insurance	324,651	-
Input tax	82,482	117,806
Creditable input tax	105,665,045	94,610,358
Withholding tax at source	213,639,635	205,228,455
	53,087,083	49,182,536
	<b>410,492,232</b>	<b>395,446,812</b>

## 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:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts payable	5,093,879	67,537,102	72,630,981	3,073,046	148,591,106	151,664,152
Due to officers & employees	-	59,965	59,965	-	59,965	59,965
	<b>5,093,879</b>	<b>67,597,067</b>	<b>72,690,946</b>	<b>3,073,046</b>	<b>148,651,071</b>	<b>151,724,117</b>

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:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Due to BIR	6,230,495	173,657,666	179,888,161	7,363,029	173,657,666	181,020,695
Due to GSIS	(2,498,404)	9,304,924	6,806,520	(2,926,560)	9,304,924	6,378,364
Due to Pag-IBIG	250,797	19,249	270,046	268,687	19,249	287,936
Due to PhilHealth	687,941	6,544,520	7,232,461	498,668	6,544,520	7,043,188
Value added tax payable	(13,547,443)	160,783,078	147,235,635	(30,842,081)	178,077,716	147,235,635
Income tax payable	931,443	6,687,138	7,618,581	931,443	6,687,138	7,618,581
	<b>(7,945,171)</b>	<b>356,996,575</b>	<b>349,051,404</b>	<b>(24,706,814)</b>	<b>374,291,213</b>	<b>349,584,399</b>

Due to Bureau of Internal Revenue (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 P454.567 million. 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 (DBM) issued and released Special Allotment Release Order (SARO) No. BMB-C-20-0020160 for the total adjusted tax dues. PTNI received the Notice of Issuance of Authority to Cancel Assessment of its tax in order to adjust its books for the settlement last June 17, 2021 for the amount of P544.388 million.

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 non-current.

The Network's remittances to Philippine Health Insurance Corporation (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:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Trust liabilities	22,119,582	23,690,302	45,809,884	17,228,944	23,690,302	40,919,246
Guaranty deposit	26,025,135	33,663,978	59,689,113	20,369,483	34,526,697	54,896,180
	<b>48,144,717</b>	<b>57,354,280</b>	<b>105,498,997</b>	<b>37,598,427</b>	<b>58,216,999</b>	<b>95,815,426</b>

Trust liabilities account pertains to funds received from various sources to cover the cost of production for television 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 2021 and comprised of the following:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Deferred output tax	36,932,952	61,272,148	98,205,100	40,092,730	61,272,148	101,364,878
Unearned revenue/income	1,319,726	12,940,644	14,260,370	1,319,726	12,940,644	14,260,370
	<b>38,252,678</b>	<b>74,212,792</b>	<b>112,465,470</b>	<b>41,412,456</b>	<b>74,212,792</b>	<b>115,625,248</b>

Deferred output tax corresponds to the 12 percent 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:

	2021	2020
<b>Business income</b>		
Sales revenue		
<b>Service income</b>	209,333,788	166,741,676
Other service income		
	4,394,345	3,759,851
	<b>213,728,133</b>	<b>170,501,527</b>

### 16.1 Business income

#### 16.1.1. Sales revenue

	2021	2020
Airtime (cash)	47,385,866	49,243,940
Airtime (non cash)	1,215,179	590,928
Spots (non cash)	480,000	2,250,000
Government account	160,252,743	114,656,808
	<b>209,333,788</b>	<b>166,741,676</b>

### 16.2 Other Service income

Other service income account represents the collections from sale of Bid Documents, Identification Cards, Production of Audio Visual Presentations, Google Ads or Live Streaming Collection.

## 17. PERSONNEL SERVICES

This account is composed of the following:

	2021	2020
Salaries and wages	53,411,497	54,126,705
Other compensation	18,907,800	25,340,586
Personnel benefit contributions	7,175,675	7,487,440
Other personnel benefits	7,101,733	6,376,998
	<b>86,596,705</b>	<b>93,331,729</b>

### 17.1 Salaries and Wages

	2021	2020
Salaries and wages-regular	51,953,557	52,578,444
Salaries and wages-casual/contractual	1,457,940	1,548,261
	<b>53,411,497</b>	<b>54,126,705</b>



## 17.2 Other Compensation

	2021	2020
Mid-year bonus		-
Year-end bonus	4,522,702	
Personnel economic relief allowance	4,363,435	4,491,912
Clothing/uniform allowance	3,621,273	3,749,000
Cash gift	930,000	960,000
Overtime and night pay	745,000	780,000
Transportation allowance	656,390	639,689
Representation allowance	498,000	517,000
Honoraria	493,000	508,000
Longevity pay	273,000	351,500
Hazard pay	165,000	115,000
Other bonuses and allowances	-	217,500
	2,640,000	13,010,985
	<b>18,907,800</b>	<b>25,340,586</b>

## 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 per cent of the basic salaries of regular government employees.

## 17.4 Personnel Benefit Contributions

	2021	2020
Retirement and life insurance premiums	6,090,474	6,340,541
PhilHealth contributions	723,001	771,399
Pag-IBIG contributions	181,100	187,700
Employee compensation insurance premiums	181,100	187,800
	<b>7,175,675</b>	<b>7,487,440</b>

## 17.5 Other Personnel Benefits

	2021	2020
Terminal leave benefits	7,101,733	6,376,998
	<b>7,101,733</b>	<b>6,376,998</b>

## 18. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of the following:

	2021	2020
Professional services	175,223,359	138,814,399
Utility expenses	30,424,523	23,591,680
General services	17,811,974	12,120,451
Communication expenses	11,071,354	10,274,852
Supplies and materials expenses	7,722,589	7,146,695
Taxes, insurance premiums and other fees	3,962,894	4,601,382

	2021	2020
Traveling expenses		
Repairs and maintenance	3,271,490	3,859,268
Training and scholarship expenses	2,936,143	1,954,549
Other MOOE	8,000	113,394
	20,271,571	26,462,662
	<b>272,703,897</b>	<b>228,939,332</b>

### 18.1 Professional Services

	2021	2020
Auditing services		
Consultancy services	1,576,006	3,067,900
Legal services	535,714	-
Other professional services	51,140	91,664
	173,060,499	135,654,835
	<b>175,223,359</b>	<b>138,814,399</b>

### 18.2 Utility Expenses

	2021	2020
Electricity expenses	29,584,898	22,157,311
Water expenses	839,625	1,434,369
	<b>30,424,523</b>	<b>23,591,680</b>

### 18.3 General Services

	2021	2020
Security services	14,555,476	11,097,603
Janitorial services	3,256,498	1,022,848
	<b>17,811,974</b>	<b>12,120,451</b>

### 18.4 Communication Expenses

	2021	2020
Cable, satellite, telegraph and radio expenses	5,247,662	5,552,655
Internet subscription expenses	4,224,288	2,472,572
Telephone	1,498,391	2,201,573
Postage and courier services	101,013	48,052
	<b>11,071,354</b>	<b>10,274,852</b>

### 18.5 Supplies and Materials Expenses

	2021	2020
Fuel, oil and lubricants expenses	5,485,044	4,035,982
Office supplies expenses	630,735	2,059,846
Semi-expendable machinery and equipment expenses	603,266	105,676
Electrical supplies and materials expenses	298,215	110,181
Semi-expendable furniture, fixtures and books expenses	104,236	41,986
Accountable forms expenses	12,000	14,000
Drugs and medicines expenses	9,074	10,623
Other supplies and materials expenses	580,019	768,401
	<b>7,722,589</b>	<b>7,146,695</b>



## 18.6 Taxes, Insurance Premiums and Other Fees

	2021	2020
Insurance expenses		
Taxes, duties and licenses	3,418,874	4,451,643
Fidelity bond premiums	536,201	124,494
	7,819	25,245
	<b>3,962,894</b>	<b>4,601,382</b>

## 18.7 Traveling Expenses

	2021	2020
Traveling expenses-local		
Traveling expenses-foreign	3,271,490	3,851,743
	-	7,525
	<b>3,271,490</b>	<b>3,859,268</b>

## 18.8 Repairs and Maintenance

	2021	2020
Repairs and maintenance-infrastructure assets	1,196,697	685,216
Repairs and maintenance-transportation equipment	1,122,459	550,207
Repairs and maintenance-machinery and equipment	485,446	580,473
Repairs and maintenance-buildings and other structures	115,077	125,185
Repairs and maintenance-furniture and fixtures	16,099	4,768
Repairs and maintenance-semi-expendable machinery and equipment	365	8,700
	<b>2,936,143</b>	<b>1,954,549</b>

## 18.9 Training and Scholarship Expenses

	2021	2020
Training expenses	8,000	113,394
	<b>8,000</b>	<b>113,394</b>

## 18.10 Other Maintenance and Operating Expenses

	2021	2020
Warranty expenses	2,090,739	-
Rent/lease expenses	1,385,449	1,012,487
Directors and committee members' fees	1,265,000	544,000
Advertising, promotional and marketing expenses	1,017,393	1,095,678
Representation expenses	243,020	587,177
Transportation and delivery expenses	182,634	2,961
Subscription expenses	76,268	3,057
Fees and commission expenses	1,016	1,945
Documentary stamps expenses	168	65
Other MOOE	14,009,884	23,215,292
	<b>20,271,571</b>	<b>26,462,662</b>

## 19. FINANCIAL EXPENSES

This account comprises the following:

	2021	2020
Bank charges	20,036	16,674
	<b>20,036</b>	<b>16,674</b>

## 20. NON-CASH EXPENSES

This account is composed of the following:

	2021	2020
Depreciation-Infrastructure assets	80,962,827	34,603,118
Depreciation-machinery and equipment	40,261,169	40,607,295
Depreciation-buildings and other structures	9,158,927	8,742,290
Depreciation-transportation and equipment	3,151,340	8,460,861
Depreciation-furniture and fixtures	108,292	111,519
	133,642,555	92,525,083
Impairment loss-loans and receivables	2,697,156	13,757,640
	<b>136,339,711</b>	<b>106,282,723</b>

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

	2021	2020
Miscellaneous income	2,316,029	58,006
	<b>2,316,029</b>	<b>58,006</b>

### 21.2 Gains

	2021	2020
Gain on foreign exchange (FOREX)	750,675	53,238
	<b>750,675</b>	<b>53,238</b>

### 21.3 Losses

	2021	2020
Loss on FOREX	271,774	545,231
	<b>271,774</b>	<b>545,231</b>



## 22. ASSISTANCE AND SUBSIDY FROM NATIONAL GOVERNMENT

This consists of Subsidy from the National Government for:

	2021	2020
PS & MOOE		
Capital outlay	104,944,000	265,598,000
	456,354,533	349,547,313
	<b>561,298,533</b>	<b>615,145,313</b>

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

	2021	2020
Surplus for the year	282,161,247	356,642,395
Depreciation	133,642,555	92,525,083
Impairment loss	2,697,156	13,757,640
Prior year expenses disbursed in current year	(41,693,551)	7,470,051
Decrease (Increase) in current receivables	32,496,294	(24,591,070)
Decrease (Increase) in inventories	(237,000)	(15,001)
Decrease (Increase) in other current assets	(22,629,615)	(36,227,963)
Increase (Decrease) in current financial liabilities	2,020,833	(13,140,355)
Increase (Decrease) in current inter-agency payables	(16,761,643)	(6,180,933)
Increase (Decrease) in current trust liabilities	10,546,290	7,686,635
Other adjustments	33,307,906	33,307,906
<b>Net cash flows from operating activities</b>	<b>415,550,472</b>	<b>P 431,234,388</b>

## 24. RELATED PARTY TRANSACTIONS

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

### 24.1 Key Management Personnel

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

### 24.2 Key Management Personnel Compensation

The aggregate remuneration of Members of the Governing 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	12,970,784
Other compensation	5,338,990
	<b>18,309,774</b>

## 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, 2021, the authorized capital stock of the Network as presented in the financial statement is One Billion pesos (P1,000,000,000.00) divided into one million (1,000,000) shares with par value of One Thousand pesos (P1,000.00) per share, December 31, 2008.

## 26. ACCUMULATED SURPLUS

	Amount
<b>Accumulated surplus, January 1, 2020</b>	<b>1,268,167,317</b>
Surplus (deficit) for CY 2020	356,642,395
Other adjustments	(40,777,957)
<b>Accumulated surplus, December 31, 2021</b>	<b>1,584,031,755</b>
Surplus for CY 2021	282,161,247
Other adjustments	(41,693,551)
<b>Accumulated surplus, December 31, 2021</b>	<b>1,824,499,451</b>

## 27. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for December 31, 2021, is the proposed Corporate Operating Budget (COB) for the year 2021 and was submitted to the DBM for review/evaluation while the *final budget* is the amount as approved by DBM on October 7, 2021 COB No. C1-21-0053. 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:

- DBM's approved level of budget reducing the proposed amount by P44,450,000.
- The excess in PS due to use of 4<sup>th</sup> tranche rates of Salary Standardization Law IV.
- The MOOE level was computed considering actual/audited expenses in previous years.



Differences between the actual as against the approved budget pertain to the following:

- Increase in actual sales revenue for 2021 in the amount of P13,390,346.
- Actual PS Cost decreased due to the actual number of employees (145) as against the proposed cost based on 230 employees.

## 28. SUPPLEMENTARY INFORMATION REQUIRED BY 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.

<b>Due to BIR as of December 31, 2021</b>	<b>Amount</b>
Due to BIR – Withholding tax on compensation	(7,464,274)
Due to BIR – Expanded withholding tax	159,993,668
Due to BIR – VAT withheld	22,946,619
Due to BIR – Percentage tax	4,412,148
<b>TOTAL</b>	<b>179,888,161</b>

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 value-added tax (VAT) registered company with VAT output tax declaration of P84,654,580 for the year.

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

	<b>Amount</b>
Balance, beginning of the year	94,592,358
Purchases	38,328,400
Adjustment on Books	44,999
Withholding Tax	8,826,804
<b>Sub-total</b>	<b>141,792,561</b>
Less: Output tax	27,689,336
Creditable Input tax	8,411,180
<b>Balance, end of the year</b>	<b>105,692,045</b>

c. Other Taxes and Licenses

	<b>Amount</b>
	500
National (BIR Annual Registration Fee)	500
<b>Total</b>	

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

	<b>Amount</b>
Tax on compensation and benefits	3,962,330
Creditable withholding taxes	10,947,103
Final withholding taxes	22,523,150
<b>Total</b>	<b>37,432,583</b>

## 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 2021:

	<b>Withheld</b>	<b>Remitted</b>
Life and retirement premiums, employees share	5,061,403	5,090,789
Government share	-	5,635,419
<b>Total</b>	<b>5,061,403</b>	<b>10,726,208</b>



## **PART II - OBSERVATIONS AND RECOMMENDATIONS**

## PART II - OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account amounting to P348.617 million as of December 31, 2021 could not be established due to discrepancies between bank confirmation and balance per books amounting to P23.743 million, in absolute amount, mainly because of five closed bank accounts in absolute amount totaling P20.828 million which are still recorded in the books, contrary to Paragraph 27 of International Public Sector Accounting Standard 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. Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 provides that:

*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 IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

1.3. The Cash and Cash Equivalents account as presented in the financial statements as of December 31, 2021 had a balance of P348.617 million, as shown in Table 1:

**Table 1: Balance of Cash and Cash account as of December 31, 2021**

Particulars	Amount
Cash – collecting officers	P 636,621
Petty cash fund	2,047,811
Cash in bank	345,932,374
<b>Total</b>	<b>P348,616,806</b>

1.4. Audit of the Cash and Cash Equivalents account disclosed deficiencies as discussed hereunder:

1.5. Confirmation made with the two depository banks of the PTNI to establish the correctness of the balance of the Cash in Bank as of December 31, 2021, disclosed the variance totaling P23.743 million (in absolute amount) as summarized in Table 2:



**Table 2: Variance Between Balance per Banks and per Books**

Bank/Account (Code)	Balance per Books	Balance per Bank	Discrepancy (in absolute Amount)
Bank 1/Account A	P127,149,668.92	P130,061,409.60	P2,911,740.68
Bank 1/Account B	199,694,374.49	199,694,377.49	3.00
Bank 1/Account C*	10,837,591.97	10,841,353.33	3,761.36
<b>Subtotal</b>	<b>P337,681,635.38</b>	<b>P340,597,140.42</b>	<b>P 2,915,505.04</b>
Bank 2/Account A	9,404,812.00	-	9,404,812.00
Bank 2/Account B	0.21	-	0.21
Bank 2/Account C	(6,288,436.00)	-	6,288,436.00
Bank 2/Account D	621,927.00	-	621,927.00
Bank 2/Account E	4,512,434.00	-	4,512,434.00
<b>Subtotal</b>	<b>8,250,737.21</b>	<b>-</b>	<b>20,827,609.21</b>
<b>Total</b>	<b>P345,932,372.59</b>	<b>P340,597,140.42</b>	<b>P23,743,114.25</b>

\*at P50.7740/US Dollar per reported exchange rate of 12/31/2021

- 1.6. Review of the Accounting records revealed the following causes of the variances:
- Closed accounts under Bank 2 with absolute amount of P20.828 million were still recorded 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.
  - Reconciling items in the bank and book balances amounting to P0.776 million and P3.143 million, respectively. These variances were brought about by outstanding checks, deposit in transit, bank charges, interest earned, unrealized foreign exchange gain, etc. Details are shown in Table 3.

**Table 3: Outstanding Reconciling Items**

Particulars	Amount
Book Reconciling Items	
Credit Memos	P2,994,775
Debit Memos	5,550
NSF Check	142,000
Bank Charges	1,015
	<b>P3,143,340</b>
Bank Reconciling Items	
Outstanding Checks	<b>P 776,457</b>

- Review of bank reconciliation showed that there is also a discrepancy between the General Ledger (GL) and Bank Reconciliation Statement as of December 31, 2021 amounting to P0.707 million. This was due to unknown deposits to the bank and late submission of Statement of Account from the New Media Team of the PTNI.

- 1.7. Further, the Finance Division commented that it will take some time to resolve the noted variance. Apart from close coordination with the concerned banks, it would require a thorough search for pertinent documents from the voluminous boxes of records, stored in the storeroom, from the 90's and onwards to expedite its closure.
  - 1.8. In view of the deficiency discussed above, the faithful representation in the financial statements of the balance of the Cash and Cash Equivalent account as of December 31, 2021 was not established.
  - 1.9. **We reiterated our prior year's audit recommendations that Management require the Accounting Section to:**
    - a. **Exert all efforts to determine the causes of the remaining unidentified variances, review/analyze the reconciling items, and effect necessary adjustments in the books to fairly present the Cash and Cash Equivalents account in the financial statements;**
    - b. **Locate all the documents relative to the five closed bank accounts that are still recorded in the books;**
    - c. **Determine the nature of the bank credit and debit memos and other book reconciling items not yet recorded in the books; and**
    - d. **Make necessary adjustments accordingly.**
  - 1.10. During the Exit Conference, Management commented that they will exert more effort in resolving the credit and debit adjustments and coordinate the same with Bank 1 concerning these transactions.
  - 1.11. However, with regard to closed accounts from Bank 2, Management admitted to the veracity of the audit observations and committed to allot more people and time in resolving the balances appearing in the books by searching for the documents relative to these transactions.
  - 1.12. As a rejoinder, the Audit Team acknowledged the commitment of PTNI, however, their full compliance with the audit recommendations will be monitored in CY 2022 audit.
2. **The faithful representation in the financial statements of the balance of Property, Plant and Equipment (PPE) account with carrying amount of P2.412 billion as of December 31, 2021 was not established due to variances between the balance per Accounting records and the Report on the Physical Count of PPE amounting to P557.244 million. Likewise, the non-derecognition of various unserviceable PPE items costing P36.189 million due to non-disposal thereof resulted in the overstatement of various PPE accounts in the same amount, contrary to Paragraph 82 of International Public Sector Accounting Standard 17. Moreover, the over-**



provision of depreciation for PPE-Office Equipment sub-account in prior and current years totaling P19.222 million resulted in the overstatement of Depreciation Expense and Accumulated Depreciation in the amounts of P1.074 million and P19.222 million, respectively, and understated the PPE-Office Equipment sub-account and Accumulated Surplus/Deficit account both by P19.222 million.

- 2.1 This is a reiteration with updates of the previous year's audit observations on various PPE accounts as Management was not able to fully implement the recommendations.
- 2.2 Various PPE accounts amounting to P3.738 billion had a carrying amount of P2.412 billion as of December 31, 2021, categorized into sub-accounts as presented 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
Buildings	265,754,275	170,687,945	-	95,066,330
Other Structure	5,524,506	2,157,520	-	3,366,986
Lease Asset Improvement	1,265,426	332,175	-	933,251
Construction in Progress	936,748,388	-	-	936,748,388
Office Equipment	32,075,187	49,589,942	-	(17,514,755)
ICT Equipment	58,555,115	39,381,363	-	19,173,752
Furniture and Fixtures	6,047,122	5,269,949	-	777,173
Communication Eqpt.	1,274,752,791	850,817,645	(9,450)	423,944,596
Communication Network	876,628,209	131,043,565	-	745,584,644
Other Machinery & Eqpt.	1,250,506	596,571	-	653,935
Motor Vehicles	112,713,933	57,975,871	-	54,738,062
Other PPE	162,711,643	18,559,622	-	144,152,021
<b>Total</b>	<b>P3,738,297,101</b>	<b>P1,326,412,168</b>	<b>P(9,450)</b>	<b>P2,411,894,383</b>

- 2.3 The Physical inventory count was conducted, nationwide in various dates from September 2021 to January 2022.
- 2.4 Audit of various PPE accounts disclosed deficiencies as discussed hereunder:

*Variances totaling to P557.244 million between the balances per Accounting records and the Report on the Physical Count of PPE (RPCPPE).*

- 2.5 Comparison of balances of various PPE sub-accounts per Accounting records and the RPCPPE as of December 31, 2021 showed a variance of P557.244 million, details are in Table 5.

**Table 5 - Comparison of the PPE Sub-Accounts balances between Accounting Records and RPCPPE as of December 31, 2021**

Account Name	Accounting Records	RPCPPE	Variance
Communication Network	P 876,628,209	P 1,697,427,095	P (820,798,886)
Communication Equipment	1,274,752,791	-	1,274,752,791
Office Equipment	32,075,187	21,529,551	10,545,636
ICT Equipment	58,555,115	120,570,202	(62,015,087)
Other Machinery and Equipment	1,250,506	629,207	621,299
Motor Vehicles	112,713,934	119,315,321	(6,601,387)
Furniture and Fixtures	6,047,122	7,682,743	(1,635,621)
Electrical & Maintenance Supplies	-	336,500	(336,500)
Other PPE	162,711,643	-	162,711,643
<b>Total</b>	<b>P 2,524,734,507</b>	<b>P 1,967,490,619</b>	<b>P 557,243,888</b>

2.6 Comparison of the balances of various PPE in the Schedule of PPEs/Subsidiary Ledgers (SL) in the Accounting Section and the RPCPPE of Property Section showed that the variance was caused by the following reasons:

- a. The absence of amount in the RPCPPE;
- b. Recording of the Accounting Section of the procurement of PPE was at gross amount less the appropriate tax while the Property Section recorded in the RPCPPE at gross amount; and
- c. Disposal of unserviceable properties was made during CY 2021, however, the corresponding Inventory and Inspection Report of Unserviceable Property (IIRUP) is yet to be submitted to the Accounting Section, thus, resulting in the delayed recording in the amount of P24.628 million.

2.7 It is noteworthy to mention that the Accounting and Property Sections finally maintained their PPE Ledger Cards (PPELCs) and Property Cards (PCs), respectively in CY 2021. However, reconciliation of PPE accounts between PPELCs and PCs are on-going, which precluded the Audit Team from further verification of the said variance.

2.8 In view of the variance of P557.244 million between the balance of various PPE accounts per Accounting Section and Property Section records, the faithful representation of the PPE account was not established.

*Inclusion of various unserviceable properties costing P36.189 million, contrary to Paragraph 82 of IPSAS 17*

2.9 Paragraph 82 of IPSAS 17 provides that:

*The carrying amount of an item of property, plant, and equipment shall be derecognized:*



(a) On disposal; or

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

- 2.10 Verification of records showed that unserviceable properties in the total amount of P36.189 million as of December 31, 2021 were still recorded in the books despite its classification, contrary to the above provision. The summary of the unserviceable properties per Station/Office is shown in Table 6.

**Table 6 - Summary of CY 2021 Unserviceable Properties per Station/Office**

Station/Office	Total
Admin.	1,665.00
Baguio	868,265.11
Calbayog	1,362,650.00
Camarapool	372,745.72
Cebu	64,812.00
Davao	296,292.00
Dispatching	913,095.00
DMIS	11,100.00
Dumaguete	4,259,235.00
Finance	61,472.00
GM's Office	185.00
Guimaras	10,816,819.00
HD Van (Unit 4)	54,000.00
Ipil Sibugay	7,990.00
Maintenance	17,700.00
Naga	31,855.00
Palawan	391,245.50
PMO	3,400.00
PPS	16,000.00
Property	4,895,173.39
Studio A	145,406.66
Tacloban	61,410.31
Uplink	2,257,279.70
Zamboanga	9,278,779.00
<b>Total</b>	<b>36,188,575.39</b>

- 2.11 Records showed that out of the total undisposed PPEs of P36.189 million, P34.616 million or 95.65 per cent pertains to Communication Network while other PPEs were P1.573 million or 4.35 per cent.
- 2.12 Inquiry from the concerned personnel from the Property Section revealed that the IIRUP is yet to be prepared. Property Section explained that the list of unserviceable items based on Inventory Report for the CY 2021 was already submitted to the Disposal Committee for inspection on May 16, 2022, thus, IIRUP will be prepared once inspection was conducted.
- 2.13 Furthermore, Property Section also commented that there was a disposal of unserviceable properties conducted on November 11, 2021 for those unserviceable properties identified from CY 2019 to the early

part of CY 2020. Also, another disposal of unserviceable items is scheduled on the first semester of CY 2022 for those properties tagged as unserviceable.

- 2.14 The inclusion of the unserviceable items in the PPE accounts resulted in the overstatement of the same amounting to P36.189 million as of December 31, 2021. Likewise, the delayed disposal thereof, exposes the items to further deterioration or obsolescence, depriving the Network of a higher return had these properties been immediately disposed through sale or negotiation.

*Over-provision of depreciation on Office Equipment sub-account in the prior and current years totaling P19.222 million*

- 2.15 The Office Equipment sub-account disclosed a negative (abnormal) debit balance of P19.222 million due to over-provision of depreciation as presented in Table 7.

**Table 7 - Computation of over-provision of Depreciation on PPE-Office Equipment Account**

Particulars	Office Equipment	Miscellaneous – Office Equipment	Total
Cost	P24,911,011	P 7,096,543	P 32,007,554
Less: Salvage value	929,863	709,654	1,639,517
Depreciable amount	23,981,148	6,386,889	30,368,037
Less: Accumulated depreciation			
As of Dec. 31, 2020	23,200,674	25,315,409	48,516,083
Depreciation for the year	1,073,859	-	1,073,859
As of Dec. 31, 2021	24,274,533	24,315,409	48,589,942
<b>Over Provision of Depreciation</b>	<b>P (293,385)</b>	<b>P (18,928,520)</b>	<b>P(19,221,905)</b>

- 2.16 Our verification of Depreciation Schedule of Office Equipment account revealed that there was over-provision of depreciation in prior and current years. Further review of documents also showed that the over provision was due to continuous set up of depreciation expense on Office Equipment sub-account, Office Equipment and Miscellaneous – Office Equipment in prior years amounting to P293,385 and P18.929 million, respectively, that it already exceeded the total acquisition costs.
- 2.17 The over-provision of accumulated depreciation for Office Equipment sub-account as of December 31, 2021 totaling P19.222 million resulted in the overstatement of Depreciation Expense for CY 2021 and Accumulated Depreciation for the year in the amount of P1.074 million.
- 2.18 **We reiterated our previous year's audit recommendations that Management instruct the:**
- Accounting and Property Sections to determine the causes of the variances noted between the books and the RPCPPE and**



effect necessary adjustments/corrections on the affected records;

- b. Disposal Committee to prepare the IIRUP to facilitate the immediate disposal of the unserviceable properties and submit the same to the Accounting Section to serve as basis in derecognizing of P36.189 million;
- 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 correct balance thereof; and
- d. Accounting Section to adopt COA Circular No. 2020-006 dated January 31, 2020 pertaining to "one-time cleansing of PPE account balances of government agencies" to establish the PPE balances that are verifiable as to existence, condition and accountability.

2.19 During the Exit Conference, Management commented that the Property and Accounting Sections are already in the process of determining the causes of the variance between the books and RPCPPE.

2.20 With regard to the unserviceable properties, Management directed the Disposal Committee to fast-track the preparation of IIRUP for the immediate disposal of said properties amounting to P36.189 million.

2.21 Management also commented that they directed the Accounting Section to back-track and identify the transactions that resulted to over-provision of depreciation and effect the necessary adjustments in the books, if required, and to resolve the issue so as not to be reiterated in the next year's audit observations.

2.22 As a rejoinder, the Audit Team acknowledged the commitment of Management, however their full compliance with the audit recommendations will be monitored in CY 2022 audit.

3. The faithful representation in the financial statements of the balance of the Receivables account in the gross amount of P851.331 million and net book value of P236.006 million as of December 31, 2021 could not be ascertained in view of the: (a) unrecorded discrepancies between the balances per General Ledgers (GLs) and their Subsidiary Ledgers (SLs) in absolute amount of P121.986 million and accounts with no SLs totaling P134.130 million; and (b) variances between balance per books and the confirmed amount totaling P84.010 million while several accounts were either 'return to sender' or had no reply at all. Moreover, the non-recognition of Allowance for Impairment on Other Receivables account amounting P6.682million in CY 2021 further affected the accuracy of its account balance.

3.1 This is a reiteration with updates of the previous year's audit observation, as Management was not able to fully implement the recommendations embodied in the Annual Audit Report for CY 2020.

3.2 Paragraph 27 of the IPSAS 1 on the Presentation of Financial Statements states that:

*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 IPSASs.*

3.3 The Receivables account as of December 31, 2021 amounted to P851.331 million (gross) and Allowance for Impairment of P615.325 million or net book value of P236.006 million, details are shown in Table 8.

**Table 8 – Composition of Receivables Account**

Sub-Account	Gross Amount	Allowance for Impairment	Net Book Value
AR-Trade	P720,297,176	P602,068,599	P118,228,577
Receivables-disallowance/charges	68,452,628	-	68,452,628
Due from officers and employees	5,971,510	-	5,971,510
Other receivables	56,609,774	13,256,141	43,353,633
<b>Total</b>	<b>P851,331,088</b>	<b>P615,324,740</b>	<b>P236,006,348</b>

*Variances between the balances per GLs and the SLs in absolute amount of P121.986 million remained unreconciled at year-end and accounts with no SLs totaling P134.130 million*

3.4 Verification disclosed that the GL balances of the Receivables with available SLs in the gross amount of P717.201 million as of December 31, 2021, did not reconcile with the balances per SLs in the amount of P624.453 million, thereby resulting to variances in absolute value of P121.986 million. Details are presented on Table 9.

**Table 9 – Comparison of GLs vs SLs**

Account Title	GLs	SLs	Variance (in absolute value)
AR – Airtime	P248,520,482	P216,216,877	P32,303,605
AR – Airtime Ex-Deals	41,527,532	53,963,645	12,436,113
AR – Spots	174,671,479	110,596,784	64,074,695
AR – Spots Ex-Deals	115,253,179	117,435,974	2,182,795
AR – Facilities	26,294,862	19,202,550	7,092,312
AR – Government Accounts	110,933,446	107,037,252	3,896,194
<b>Total</b>	<b>P717,200,980</b>	<b>P624,453,082</b>	<b>P121,985,714</b>



- 3.5 In addition, P134.130 million or 16 per cent of the total Receivables of P851.331 million have no supporting SLs.
- 3.6 In relation to the unreconciled balances between the GLs and SLs presented in Table 9, Management commented that they are in process of searching the supporting documents of old files. The Network further disclosed that demand letters were already sent to the clients based on the records found.

*Variances between balance per books and the confirmed amount totaling P84.010 million while several accounts were either tagged as return to sender or had no reply at all*

- 3.7 The Audit Team sent 40 confirmation letters (CLs) to clients with available complete address per accounting records to verify the accuracy of the receivables recorded in the books.
- 3.8 Out of the 40 CLs, five clients confirmed the balances of their accounts totaling P20.002 million, 19 CLs totaling P48.809 million have no replies, while eight CLs totaling P8.561 million were returned and 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. The remaining eight clients confirmed the balance of P6.645 million only from the total receivables of P90.655 million, reporting a difference of P84.010 million, details are presented in Table 10.

**Table 10 – Variance on Confirmation Letters**

Confirmation Letter (CL) No.	Amount per CL	Amount per reply	Variance
1. CL No. 2022-009	P 1,400,000	P -	P 1,400,000
2. CL No. 2022-010	8,500,000	-	8,500,000
3. CL No. 2022-011	14,467,600	6,510,420	7,957,180
4. CL No. 2022-012	21,460,800	-	21,460,800
5. CL No. 2022-014	666,400	134,400	532,000
6. CL No. 2022-016	100,000	-	100,000
7. CL No. 2022-027	624,000	-	624,000
8. CL No. 2022-031	43,436,500	-	43,436,500
<b>Total</b>	<b>P 90,655,300</b>	<b>P 6,644,820</b>	<b>P 84,010,480</b>

*Non-recognition of Allowance for Impairment on Other Receivables account for CY 2021 amounting P6.682 million further affects the accuracy of its account balance*

- 3.9 Verification revealed that the Allowance for Impairment on Other Receivables of P13.256 million does not tally with the Allowance for Impairment based on the Aging Schedule submitted to the Audit Team amounting P20.119 million or a variance of P6.682 million.

- 3.10 Further verification disclosed that the variance of P6.682 million was due to the non-recognition of Allowance for Impairment for CY 2021 since the contra-account of Other Receivable was not updated for CY 2021, thereby resulting to an understatement of P6.682 million on the Allowance for Impairment – Other Receivables account.
- 3.11 The Audit Team also noted the presence of dormant account for 10 years and more totaling P604.510 million or 71.01 per cent of the Total Receivable of P851.331 million based on the Aging Schedule submitted by the Finance Division. Some of these accounts already existed since CY 1990, to which collectability could no longer be ascertained. The Allowance for Impairment for these accounts were provided. Management claimed that a request for authority to write-off was already reviewed by the Network's Legal Department.
- 3.12 As a result of the foregoing, the accuracy and validity of the Receivables account in the gross amount of P851.331 million as of December 31, 2021, could not be ascertained.
- 3.13 **We reiterated our prior year's recommendations that Management direct the Accounting Section to:**
- a. **Maintain complete SLs to support the GLs balances of the Receivables account;**
  - b. **Reconcile the balances between the GLs and SLs of the Receivable accounts and prepare the adjusting entries, if necessary;**
  - c. **Ensure that complete information/addresses of clients are indicated in the SLs for purposes of monitoring collections of receivables; and**
  - d. **Provide Allowance for Impairment on Other Receivables for CY 2021 to reflect the correct balance of the said account.**
- 3.14 **We further recommended that Management submit Request for Authority to Write-off for dormant accounts to COA, following the guidelines and procedures prescribed under COA Circular No. 2016-005 dated December 19, 2016.**
- 3.15 During the Exit Conference, Management commented the following:
- a. Receivables that were dormant for more than 10 years, have already recommended for its write-off to the Board of Directors. Upon approval of the said recommendation, PTNI would request for its write-off to the COA in accordance to COA Circular No. 2016-005 dated December 19, 2016.
  - b. As for the completeness of information of clients to support the GL, PTNI already had the needed information as a basis in making follow-up on collections.



- c. With regard to impairment of receivable, no allowance was provided for the CY 2021 but Management committed to provide such allowance for this in CY 2022.
- d. Demand letter were sent to their clients, however, a number of its receivables were deemed no longer collectible based from the returned letters that PTNI received.

3.16 As a rejoinder, the Audit Team will monitor Management's full compliance with the audit recommendations in the CY 2022 audit.

**4. The accuracy and existence of the Inventories – Other Supplies and Materials account with balance of P3.048 million as of December 31, 2021 could not be ascertained due to variance of P2.871 million between the balances per General Ledger and the inventory balance on Ex-Deal Items due to lapses in the recording of issuances of the said items. Likewise, no disclosure in the Notes to Financial Statements on the Ex-Deal Items, contrary to Paragraph 39 of International Public Sector Accounting Standard 9.**

4.1 This is a reiteration of previous year's audit observation as Management was not able to implement our recommendations.

4.2 Inventories – Other Supplies and Materials (IOSM) account pertains to inventory of Ex-Deal Items with a balance of P3.048 million. 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.

4.3 The Audit Team requested information from Management regarding policies, guidelines, and procedures on the management and accounting of Ex-Deal items and the following were gathered:

- a. There were no written policies or guidelines regarding Ex-Deal inventory items;
- b. Sales Division is in charge of negotiations relative to Ex-Deal contracts with the clients;
- c. Upon the delivery of the Ex-Deal Items by clients, the Inspection Team, composed of representatives from Administration Division, Finance Division and Property Section inspects the delivered items supported by Delivery Receipt;
- d. Property Section receives the Ex-Deal Items and turns over the same to the appropriate Custodians such as 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;

- e. Finance Division, as custodian, records the Ex-Deal Items based on Acknowledgement/Delivery Receipt only signed by the Inspection Team and Stock Cards for the card cellphone load received; and
  - f. Property Section has no Ex-Deal Items on-hand as of December 31, 2021.
- 4.4 The Audit Team also requested for a Summary of Ex-Deal Contracts for CY 2021 including the copy of the contract, however, to date, only one copy of the contract amounting P28,000 was submitted.
- 4.5 Property Section claimed that they did not conduct physical inventory of Ex-Deal items because there was no Ex-Deal Items on-hand as of December 31, 2021. However, the Finance Division has an inventory of globe prepaid cards, though, no report on physical count was submitted to the Team.
- 4.6 Hence, deducting the amount/cost of P177,400 of cell cards from the GL balance of IOSM of P3.048 million, a shortage of P2.870 million exists.
- 4.7 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 did not maintain any stock cards except the Finance Division 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. The present practices manifest inadequacy of internal controls in the management of Ex-Deal items.
- 4.8 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;*

xxx

- 4.9 In view of the foregoing deficiencies, the accuracy and existence of the IOSM account with balance of P3.048 million as of December 31, 2021 could not be ascertained.



4.10 **We reiterated our previous year's recommendations that Management:**

- a. **Require the concerned Custodians to:**
  - i. **Account for the discrepancy noted between the balances of GL and the Stock card 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;**
- c. **Assign to Property Section the responsibility on the receipt and issuance of Ex-Deal Items received by the Network; and**
- 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.**

4.11 **We further recommended that Management submit all Ex-Deal Contracts entered into by the PTNI in CY 2021 for further review.**

4.12 During the Exit Conference, Management commented that Property Section has no knowledge of the discrepancy noted by the COA Auditors with regards to Ex-Deal items since their participation is limited only on the receipt and inspection of the said items. The Head of the Sales and Marketing Office and Finance Division committed to provide a complete list of Ex-Deal items and the corresponding contracts for CY 2021. While the Head of the Finance Division committed to make appropriate recording of the all receipts and issuance of Ex-Deal items.

4.13 As a rejoinder, the Audit Team acknowledged the commitments of the Management to provide a complete list and the corresponding contracts for of Ex-Deal items CY 2021 and to make appropriate recording of the receipts and issuance of the same, however, we maintain our position that proper recording and monitoring on the issuance of Ex-Deal items to end-user should be made.

4.14 Likewise, the Audit Team will monitor Management's full compliance with the audit recommendations in CY 2022 audit.

B. NON FINANCIAL

5. Cash advances (CAs) totaling P15.000 million granted in CY 2021 and prior years were not liquidated as of December 31, 2021 and accountable officers with unliquidated CAs were granted additional CAs, contrary to Sections 1.2 and 1.1 of COA Circular No. 2012-001 dated June 14, 2012. Moreover, CAs granted on CY 2021 were not supported with proper documentation, contrary to the same COA Circular.

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

5.2 Section 1.2 of COA Circular No. 2012-001 dated June 14, 2012 on the liquidation of CA provides that:

*The Accountable Officer (AO) shall liquidate his cash advances within the following period:*

*Salaries, Wages, Allowances, Honoraria and Other Similar Payments – within five calendar days after the end of the pay period;*

*Field Operating Expenses – within twenty (20) calendar days after the end of the year; subject to replenishment as frequently as necessary during the year;*

*Petty Cash Fund (PCF) – as soon as the disbursements reach 75 percent or as needed, the PCF shall be replenished which shall be equal to the total amount of expenditures made therefrom. In case of termination, resignation, retirement or dismissal of the PCF custodian, immediately thereafter;*

*Travelling Expenses – within thirty (30) days after return of the official/employee concerned to his official station for local travel and within sixty (60) days after the return of the official/employee concerned to the Philippines in the case of foreign travel;*

*Special purpose – as soon as the purpose of the cash advance has been served.*

*CAs totaling P15.000 million were not liquidated as of December 31, 2021*

- 5.3 Review of the CAs and liquidation reports for operating and other expenses revealed that CAs totaling P15.000 million granted in CY 2021 and prior years remained unliquidated as of December 31, 2021. Details are shown in Table 11.



Table 11 – Breakdown of Outstanding Cash Advances as of December 31, 2021

Year Granted	Age in Years	No. of CAs Outstanding	Amount
2021	below 1 year	138	P 9,585,469
2020	1 year	44	3,417,744
2019	2 years	23	177,464
2018	3 years	16	396,221
2017	4 years	20	281,957
2016 and prior years	5 years & more	No data	1,140,865
<b>Total</b>			<b>P14,999,720</b>

5.4 Further review of the account revealed that the accumulation of outstanding CAs for CYs 2021 and 2020 totaling P9.585 million and P3.418 million, respectively resulted from the resignation of the person handling the CAs account last December 2021, without proper clearance, incomplete processing of CAs and turn-over of the same account, thus liquidation of CAs was not properly monitored. Nonetheless, Finance Division disclosed that demand letters were already sent to all Accountable Officers (AOs) who have outstanding CAs and are still in active service but liquidations made are still very minimal.

5.5 It was also observed that the CAs granted in CY 2016 and prior years amounting P1.141 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.

*AOs with unliquidated CAs were granted additional CAs, contrary to Section 1.1 of COA Circular No. 2012-001*

5.6 General guidelines on granting of CAs on Section 1.1 of COA Circular No. 2012-001 state that:

*No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first liquidated accounted for in the books.*

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

5.7 Review of the Schedule of CAs provided by the Finance Division disclosed that some officials and employees of PTNI were granted additional CAs despite non-liquidation of their previous CAs, contrary to Section 1.1 of COA Circular No. 2012-001. Details are presented in Annex A.

- 5.8 Management claimed that the granting of additional CA to an AO with previous unliquidated CA is no longer being practiced except in some cases where it would affect the operations of the Network.

*CAs were not supported with proper documentation, contrary to Section 1.1 of the same Circular*

- 5.9 Section 1.1 of COA Circular No. 2012-001 (Revised Documentary Requirements for Common Government Transactions) dated June 14, 2012 set forth documentary requirements that are common to all cash advances except for travels, which shall include:
- 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);
  - Certification from the Accountant that previous CA have been liquidated and accounted for in the books; and
  - Approved application for bond and/or fidelity bond for the year for cash accountability of P2,000 or more.
- 5.10 Post-audit on disbursement vouchers disclosed that all CAs granted were not supported with 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 with outstanding CAs.
- 5.11 **We reiterated our prior years' audit recommendations that Management instruct the Finance Division to:**
- Require the concerned AOs to immediately liquidate their outstanding CAs in compliance with Section 1.2 of COA Circular No. 2012-001;**
  - Comply strictly with the required documentary requirements on the grant and liquidation of CAs; and**
  - Closely monitor and/or send regularly demand letters to AOs within 10 days before the expiration of the prescribed period of liquidation to avoid further accumulation of the unliquidated CAs.**
- 5.12 The Management commented that the unfinished tasks of the previous employee, who resigned without proper clearance and turn-over were taken over by the Accounting Section Head. Consequently, a replacement was hired to handle the new transactions related to CAs. Likewise, the liquidations reviewed by the former employee were re-evaluated by the newly hired employee to ensure the accuracy of the pre-audit done.



5.13 During the Exit Conference, the Management commented that they are now in the process of sending demand letters to the concerned AOs with the materiality of the amount.

5.14 As a rejoinder, the Audit Team acknowledged the comments of the PTNI, however full compliance with the audit recommendations will be monitored in CY 2022 audit.

**6. Twenty-one contracts and Purchase Orders of Small Value Procurements including their supporting documents totaling P6.102 million were not submitted to the Office of the Auditor within five working days from the execution thereof, with delays ranging from 17 to 98 working days, contrary to Sections 3.1 and 3.2 of COA Circular No. 2009-001 dated February 12, 2009. Hence, hindered the timely auditorial and technical review and communication of any defects/deficiencies noted in audit.**

6.1 Section 3.1.1 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. xxx*

6.2 Also, Section 3.2.1 of the same Circular provides that:

*A copy of purchase order irrespective of amount, and each and every supporting document. Shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned. xxx*

6.3 Verification showed that out of 22 Contracts and Purchase Orders (C/PO) entered into by and between the PTNI and its supplier, 21 C/PO were submitted beyond the prescribed period of the aforementioned Circular, details are shown in Table 12:

**Table 12 – List of Contracts not submitted to COA within the Reglementary Period**

Job Order No. / Purchase Order No.	Contract Amount	Date of Notice to Award (Conforme)	Required date of submission to COA	Date Submitted to COA	No of Working Days Delayed
JO 21-07-0112	P 630,000	Jul. 22, 2021	Jul. 29, 2021	Dec. 10, 2021	92
JO 21-10-018	315,605	Nov.02, 2021	Nov. 09, 2021	Dec. 10, 2021	22
PO 21-11-0060	996,800	Nov. 09, 2021	Nov. 16, 2021	Dec. 10, 2021	17
PO 21-10-0052	121,775	Oct. 28, 2021	Nov. 05, 2021	Dec. 10, 2021	24

Job Order No. / Purchase Order No.	Contract Amount	Date of Notice to Award (Conforme)	Required date of submission to COA	Date Submitted to COA	No of Working Days Delayed
PO 21-09-0045	340,000	Sep. 30, 2021	Oct. 07, 2021	Dec. 10, 2021	44
PO 21-09-0044	103,500	Sep. 30, 2021	Oct. 07, 2021	Dec. 10, 2021	44
PO 21-09-0043	166,330	Oct. 13, 2021	Oct. 20, 2021	Dec. 10, 2021	35
PO 21-09-0042	68,000	Oct. 02, 2021	Oct. 08, 2021	Dec. 10, 2021	43
PO 21-09-0041	100,000	Sep. 23, 2021	Sep. 30, 2021	Dec. 10, 2021	49
PO 21-08-0040	94,800	Aug. 28, 2021	Sep. 06, 2021	Dec. 10, 2021	67
PO 21-08-0039	100,000	Aug. 31, 2021	Sep. 07, 2021	Dec. 10, 2021	66
PO 21-08-0038	98,000	Aug. 27, 2021	Sep. 06, 2021	Dec. 10, 2021	67
PO 21-07-0036-C	112,000	Aug. 06, 2021	Aug. 13, 2021	Dec. 10, 2021	81
PO 21-07-0036-B	224,550	Aug. 09, 2021	Aug. 16, 2021	Dec. 10, 2021	80
PO 21-07-0036-A	199,380	Aug. 06, 2021	Aug. 13, 2021	Dec. 10, 2021	81
PO 21-07-0036	263,700	Aug. 08, 2021	Aug. 13, 2021	Dec. 10, 2021	81
PO 21-07-0034	238,000	Jul. 30, 2021	Aug. 06, 2021	Dec. 10, 2021	86
PO 21-07-0032	482,642	Jul. 22, 2021	Jul. 30, 2021	Dec. 10, 2021	91
PO 21-07-0031	152,550	Jul. 13, 2021	Jul. 21, 2021	Dec. 10, 2021	98
PO No 21-12-0073	898,663	Feb. 02, 2022	Feb. 09, 2022	May 11, 2022	65
JO No. 21-12-024	395,616	Dec. 16, 2021	Dec. 23, 2021	May 11, 2022	92
<b>P6,101,911</b>					

- 6.4 Further verification disclosed that the delayed submission was due to strict protocols implemented during the pandemic. Also, one of the two Members of the Secretariat resigned in CY 2021, and the other personnel, working from home, did not have any laptop assigned to her.
- 6.5 Thus, the delay in the submission of the contracts and their supporting documents to COA ranging from 17 to 98 working days, hindered the conduct of timely auditorial and technical review and communication of any defects/deficiencies noted in audit to Management for appropriate action.
- 6.6 **We recommended that Management instruct the Bids and Awards Committee Secretariat to submit all perfected C/PO to the Auditor within five working days after perfection thereof for immediate review and evaluation in compliance with Sections 3.1.1 and 3.2.1 of COA Circular No. 2009-001.**
- 6.7 During the Exit Conference, Management committed to abide with COA's recommendations and has issued an instruction to the Purchasing Unit which handles the small value procurements relative to the submission of perfected C/PO.
- 6.8 As a rejoinder, the Audit Team acknowledged the commitment and immediate action of Management to implement the audit recommendations, which will be monitored in CY 2022 audit.



## GENDER AND DEVELOPMENT

7. The People's Television Network, Inc. was able to comply with the requirements of Philippine Commission on Women (PCW), National Economic and Development Authority and Department of Budget and Management Joint Circular No. 2012-01, particularly on the submission of the Gender and Development (GAD) Plan and Budget (GPB) to PCW for calendar year 2021 within the prescribed period and allocation of GPB of at least five per cent of its Corporate Operating Budget. However, out of the 15 GAD related Programs, Activities and Projects, only two was fully accomplished, five were partially accomplished and eight were not yet started contrary to same Circular.

- 7.1 Items 6.1 and 6.3 of PCW, National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM) Joint Circular No. 2012-01 provide the guidelines for the preparation of the annual GPB and GAD Accomplishment Report (AR) to implement the Magna Carta of Women. Pertinent portions of which state that:

### 6.0 COSTING AND ALLOCATION OF THE GAD BUDGET

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

- 6.3 *The utilization and outcome of the GAD budget shall be annually monitored and evaluated in terms of its success in influencing the gender-responsive implementation of agency programs funded by the remaining ninety-five percent (95%) budget (MCW Chapter VI, Section 36).*

- 7.2 Audit disclosed that the PTNI complied with the submission of its GPB for CY 2021 to PCW for review on November 9, 2020. However, said document was returned by PCW and resubmitted by PTNI on various dates. The PTNI GPB was finally endorsed on April 21, 2021.
- 7.3 Likewise, the Network allocated P20.422 million for GAD related Programs, Activities and Projects (PAPs) which is equivalent to five per cent of its approved Corporate Operating Budget (COB) of P407.447 million.
- 7.4 Review of the submitted GAD AR for the CY 2021 disclosed that the total expenditures were only P12.983 million or 36.43 per cent of the allocated budget of P20.422 million. Comparison of the GPB and AR further disclosed that out of 15 PAPs, only two projects were



implemented, five projects were partially implemented, and eight projects were not implemented. Details are shown in Annex B.

- 7.5 Inquiry from the member of the GAD Focal Person Secretariat disclosed that they were not able to fully utilize the funds due to restrictions caused by Corona Virus Disease 2019 pandemic and financial constraints.
- 7.6 The amount appropriated for GAD PAPs in CY 2021 was not utilized amounting to P7.439 million at year-end, thus, defeating the intent of the program to pursue women empowerment and gender equality.
- 7.7 **In view of the foregoing, we recommended that Management direct the GAD Focal Point Person to:**
  - a. **Continue comply with the requirements of the PCW-NEDA-DBM Joint Circular No. 2012-01 regarding the submission of GPB on time and the allocation of at least five per cent of its COB; and**
  - b. **Monitor the GPB and ascertain that all activities are accomplished within the approved GAD budget of the Network for the current year.**
- 7.8 During the Exit Conference, Management commented that the PTNI is committed to comply with the requirements of the PCW-NEDA-DBM Joint Circular No. 2012-01 as evident in the submission of its 2021 GPB and budget allocation.
- 7.9 The Network also commented that the GPB will be strictly monitored to ascertain that all activities are accomplished within the approved GAD budget for the current year.
- 7.10 As rejoinders, the Audit Team acknowledged the commitment of the Management to continue complying with the requirements of the PCW-NEDA-DBM Joint Circular. Hence, it is requested that the Network continue to strive to ensure that the set activities in the GPB will be done and will be completed in a given period.

## **COMPLIANCE WITH TAX LAWS**

8. PTNI has been consistently withholding taxes on salaries and wages and other benefits accruing to its officers and employees as well as on goods and services, which were remitted to the Bureau of Internal Revenue (BIR) within the reglementary period for CY 2021. For the Network's prior years' tax obligations, the PTNI received tax subsidy from the DBM through Special Allotment Release Order (SARO) No. SARO-BMB-C-20-0020160 dated November 24, 2020 amounting P454.567 million for taxable years 2003-2013. BIR later issued 'Notice of Issuance of Authority to Cancel Assessment' dated February 2, 2021, received by the Network on June 17, 2021, totaling P544.388 million. The PTNI Management is currently seeking the assistance of the COA –



Government Accountancy Sector on the proper accounting treatment of the said tax subsidy. Disclosure is also made on the Notes to Financial Statements (Note 12).

## **COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM, PHILIPPINE HEALTH INSURANCE CORPORATION AND HOME DEVELOPMENT MUTUAL FUND LAWS**

9. PTNI was compliant in collecting and remitting premiums and membership contributions of the employees and the agency's share for the current year with Section 6 of Government Service Insurance System Act, Section 11 of Philippine Health Insurance Corporation (PhilHealth) Act, PhilHealth Circular No. 0001 s. 2014, and Section E.4 of Home Development Mutual Fund Circular No. 275. However, as of December 31, 2021 there were unremitted amounts representing unreconciled beginning balances that were forwarded from prior years in the amounts of P6.807 million, P7.232 million and P270,046, respectively.

- 9.1 Section 6, Items (a) and (b) of the Republic Act No. 8291 (Government Service Insurance System (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.*

- 9.2 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.*

- 9.3 PhilHealth Circular No. 0001 s. 2014 dated January 1, 2014 provides New Payment Schedule for Premium Contributions:

<i>Employers with PENs ending in 0-4</i>	<i>Every 11th – 15th day of the month following the applicable period</i>
<i>Employers with PENs ending in 5-9</i>	<i>Every 16th – 20th day of the month following the applicable period</i>

- 9.4 Section E.4 of Home Development Mutual Fund (HDMF) Circular No. 275 provides that:

*Employers shall remit the required monthly employer and employee contributions to the nearest Pag-IBIG branch or its authorized collecting banks, together with the duly accomplished Membership Contribution Remittance Form (MCRF) from 10th to the end of the month following the period covered.*

- 9.5 PTNI has consistently withheld from the salaries of its employees the GSIS, PhilHealth and HDMF premiums, contributions and loan payments and remits the amounts withheld in the current year to the concerned agencies.
- 9.6 However, based on records, there was unremitted amount of P6.807 million, P7.232 million and P270,046 to the GSIS, PhilHealth and HDMF, respectively, due to unreconciled beginning balance of prior years. Details are shown on Table 13.

**Table 13 – Unremitted Mandatory Contributions**

<b>Particulars</b>	<b>Due to GSIS</b>	<b>Due to PhilHealth</b>	<b>Due to HDMF</b>	<b>Total</b>
Beginning balances	P 6,378,364	P 7,043,187	P 287,936	P 13,709,487
Amount withheld, CY 2021	22,600,062	921,267	2,265,037	25,786,366
Government's share	6,148,669	723,001	181,100	7,052,770
Remittances	(28,320,574)	(1,454,995)	(2,464,027)	(32,239,596)
<b>Balance, as of December 31, 2021</b>	<b>P 6,806,521</b>	<b>P 7,232,460</b>	<b>P 270,046</b>	<b>P 14,309,027</b>

- 9.7 Verification of accounts revealed that the unpaid obligations to the said agencies represent prior years' forwarding balances. Management claimed that there is an on-going reconciliation being conducted by the Finance Division with the Personnel Section for the withholding and remittance to the said agencies.
- 9.8 The non-remittance within the prescribed period is not only contrary to the above-stated provisions but consequently the PTNI might be subject to imposition by the GSIS, PhilHealth and HDMF of interests, penalties, and surcharges.



**9.9 We recommended that Management:**

- a. Analyze and reconcile the beginning balance of the GSIS, PhilHealth and HDMF accounts as well as remit the outstanding balance of the aforementioned accounts; and
- b. Make representation with the GSIS, PhilHealth and HDMF to reconcile the beginning balances of the aforementioned accounts.

9.10 Management committed to look into the reasons for the unreconciled beginning balance. The Finance Division will work in coordination with the Personnel Section to come up with the correct balances and make necessary adjustments.

9.11 During the Exit Conference, Management also committed to coordinate with the GSIS, PhilHealth and HDMF to reconcile the beginning balances of the said accounts.

9.12 The Audit Team acknowledged Management's commitment to reconcile the beginning balance of the aforementioned accounts. However, Management's full compliance with the audit recommendations will be monitored in the CY 2022 audit.

## **COMPLIANCE WITH PROPERTY INSURANCE LAW**

10. Verification of documents pertaining to PTNI's insurable properties showed that the buildings, equipment and motor vehicles were insured with the GSIS per Policy No. FI-NM-GSISHO-0037686 for the period covered January 1 to December 31, 2021.

## **SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS**

11. Based on the Statement of Audit Suspensions, Disallowances and Charges issued as of December 31, 2021, the unsettled audit disallowances amounted to P115.021 million, of which P5.059 million were already covered by Notice of Finality of Decision, P109.931 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, 2021 amounted to P74.093 million. Details of the unsettled ND and NS are shown in Table 14.

**Table 14 – Unsettled Notices of Disallowance (ND) and Notices of Suspension (NS)**

ND/NS No.	Particulars	Amount	Remarks/Status
ND#2021-01(18)	Payment for the Supply, Delivery, Installation, Integration, Testing, Training and Commissioning of an Enterprise Resources Planning (ERP) which was not	P14,980,000.00	Issued December 2, 2021

ND/NS No.	Particulars	Amount	Remarks/Status
ND#2019-05(17)	put to use in actual operation Payment of spot placement in airing DOT Ads to program Kilos Pronto-NS matured into ND	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	With NFD
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
<b>Total NDs</b>		<b>P115,021,175.18</b>	
NS#2021-01(20)	Incomplete documentary requirements on the Grant of Hazard Pay to Government Personnel	P8,559,000.00	Issued December 2, 2021
NS#2021-02(18)	Procurement of two (2) units of 8-seater passenger van and one (1) unit of 7-seater Sports Utility Van (SUV) without the approval from the Office of the President	3,422,803.50	Issued December 2, 2021
NS#2018-04(17)	Non-recording of disbursements in the PTNI books under Dollar Savings Account from Sept. 3, 2012 to Dec. 31, 2017	62,110,879.00	Compliance under evaluation
<b>Total NSs</b>		<b>P74,092,682.50</b>	



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

### PART III – STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 37 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 12 were fully implemented, 12 were partially implemented and 13 were not implemented. Details as follows:

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
<b>AAR 2020</b> <u>Financial Audit</u> Observation (AO) No. 1 Page 45	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.	<p>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.</p> <p>We further recommended that Management:</p> <p>a. Instruct the Accounting Section to:</p> <p>(a) locate all the documents relative to five (5) closed bank accounts that are still recorded in the books;</p> <p>(b) determine the nature of the bank credit and debit memos and other book reconciling items not yet recorded in the</p>	<p>Partially Implemented</p> <p>Updated and reiterated in Part II – Observation and Recommendation No. 1 of this Report.</p> <p>Not Implemented</p> <p>Not Implemented</p>



REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
		books, and	
		(c) make necessary adjustments accordingly; and	Not Implemented
		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.	Fully Implemented

AO No. 2  
Page 48

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

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;

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
	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.	<p>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</p> <p>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.</p>	<p>Not Implemented</p> <p>Updated and reiterated in Part II – Observation and Recommendation No. 2 of this Report.</p> <p>Fully Implemented</p>
	<p>We further recommended that Management consider:</p>		
	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		Fully Implemented



REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
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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. | Not Implemented |
|----|--|-----------------|

AO No. 3  
Page 53

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.

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 | Not Implemented<br><br>Updated and reiterated in Part II – Observation and Recommendation No. 3 of this Report. |
| b. | Provide complete information/address es of clients for purposes of monitoring collections of receivables.  | Partially Implemented   |

We further recommended that Management:

## REFERENCE

## OBSERVATIONS

## RECOMMENDATIONS

ACTION TAKEN/  
COMMENTS

AO No. 4  
Page 55

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.

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,

Partially  
Implemented

Not Implemented

Not Implemented

Updated and reiterated in Part II – Observation and Recommendation No. 4 of this Report.

Not Implemented

Not Implemented



REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
		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; and	Not Implemented
		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.	Not Implemented

#### Other Observations

AO No. 5 Page 59	Rice Subsidy and Educational Assistance amounting to P5.629 million and P2.457 million, respectively, or totaling P8.086 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	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.	Not Implemented  For issuance of Notice of Disallowance.
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REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
AO No. 6 Page 60	Budget and Management (DBM), for lack of legal basis.  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.	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.	Partially Implemented  For issuance of Notice of Suspension.
AO No. 7 Page 62	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.	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.	Fully Implemented
AO No. 8 Page 65	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,	We reiterated our prior year's audit recommendations that Management:  a. Require the concerned AOs to immediately liquidate their	Partially Implemented  Updated and



REFERENCE	OBSERVATIONS	RECOMMENDATIONS	ACTION TAKEN/ COMMENTS
	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.	<p>outstanding CAs in compliance with Section 5 of COA Circular No. 97-002; and</p> <p>b. Instruct the Finance Division to comply strictly with the required documentary requirements in the grant and liquidation of CAs.</p> <p>We likewise recommended that Management direct the Accounting Section to:</p> <p>(a) closely monitor all CAs due for liquidation; and</p> <p>(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.</p>	<p>reiterated in Part II – Observation and Recommendation No. 5 of this Report.</p> <p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p>
AO No. 9 Page 68	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.	<p>We recommended that Management:</p> <p>a. Comply strictly with the rules and regulations governing the fuel consumption of government motor vehicles prescribed under COA Circular No. 77-61; and</p> <p>b. Instruct the Administrative Division to prepare</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>

REFERENCE

OBSERVATIONS

RECOMMENDATIONS

ACTION TAKEN/  
COMMENTS

AO No. 10  
Page 69

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.

and submit to the Audit Team the Monthly Report of Official Travels and Monthly Report of Fuel Consumption, for audit purposes.

For issuance of Notice of Suspension.

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

Fully Implemented

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.

Fully Implemented

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

Partially Implemented

AO No. 11  
Page 71

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.

We reiterated our previous year's audit recommendation that Management direct the Finance Division to remit to the BIR all taxes withheld within the

Fully Implemented





## **PART IV - ANNEXES**



**Annex A**  
**List of AOs with Unliquidated CAs but were Granted Additional CA**  
**As of December 31, 2021**

<b>Accountable Officers</b>	<b>Position</b>	<b>No. of CAs Outstanding</b>	<b>Amount</b>
Aguzar, Ma. Theresa Leah	Media Production Specialist I (Production Unit Manager)	3	P 320,479.85
Amparo, Denise Virginia	Administrative Assistant II	2	22,946.25
Antazo, Ethel	Executive Assistant I (Segment Producer/Writer)	3	346,790.00
Aquino, Frederick	Media Production Specialist III (Executive Producer)	3	259,938.00
Arguelles, Angelina	Production Assistant	2	24,335.15
Aroa, John Michael	Information Officer B (News Reporter)	2	31,985.48
Arroyo, Felomena	Administrative Officer III	2	67,000.00
Asuncion, Nielsen Khay	Reporter I	2	9,000.00
Cachin, Elizabeth	Production Assistant	2	81,654.00
Constantino, Emma Rose	Supply Officer I	3	398,200.00
Dalumpines, Joecen Kevin	News Editor II (Writer/Segment Producer)	5	559,929.33
Derano, Mark Vincent	Media Production Aide (Production Assistant/Coordinator)	2	199,000.00
Evangelista, Philip Joel	Special Projects Coordinator	3	475,200.00
Francisco, Allan	Reporter/Writer	2	281,600.00
Gatan, Maria Angela	MPS IV/Program Operations Chief	2	523,005.00
Gellor, Leo	Senior Personnel Specialist	2	262,080.84
Lesmoras, Karmela Anne	News Reporter I	2	168,060.00
Macaso, Felix France	Communications Equipment Operator IV (Cameraman)	4	74,350.00
Rodri	Media Production Specialist III (Executive Producer)	3	60,684.25
Manalansang, Rose Marie	Senior Administrative Assistant III	2	83,000.00
Mario, Jobelle	Media Production Specialist II (Associate Producer)	2	214,080.00
Matienzo, Adrien	Administrative Assistant VI (Interior Designer/Cut-Out Artist)	2	33,500.00
Namingit, Jerick	Motorpool Dispatcher	2	36,000.00
Nigos, George	Script Writer I (Segment Producer/Writer)	5	291,000.00
Olaco, Maela Grace	Broadcast Program-Producer		
Paciente, Kenneth Kyle	Announcer II (News Reporter/Writer)	2	210,008.59

<b>Accountable Officers</b>	<b>Position</b>	<b>No. of CAs Outstanding</b>	<b>Amount</b>
Pangilinan, Marinell	Scriptwriter I	3	317,645.52
Poncio, Alexander	Engineer III (Electrical Engineer)	5	142,044.45
Ramos, Carlito Jr.	TV Cameraman III (Field Production Cameraman)	2	100,064.00
Salamatin, Jocelyn	VTR Editor I (Jr VTR Editor)	2	90,694.00
Salendab, Jason Shaheer	Technical Assistant for Legal Affairs	4	90,742.64
Tanggol, Joselito	Electronics & Communications Equipment Technician IV (Microwave/Uplink Technician)	3	371,500.00
Tarinay, Lucille Anne	Executive Assistant IV	4	93,902.42
Tejuco, Apolinario	TV Cameraman I	2	63,835.00
Tocol, Gerardo	Electronics Comm. Systems Operator A	4	81,759.00
Tomines, Anna Marie	Production Assistant	5	384,568.50
Valderama, Lyndon	Electronics Communication Systems Operator A (ENG Van Systems Technician)	3	38,756.76
Valdez, Richard	Provincial Operations Supervisor/Station Manager	3	53,624.99
Velado, Sweden	PTV-Cordillera News Reporter I	5	42,393.67
Yap, Janet	Provincial Traffic Officer B (Network Controller II)	2	136,902.88
Yjares, Ronaldo	TV Network Traffic Assistant	2	149,994.00
<b>Total</b>			<b>P 7,192,254.57</b>



Annex B  
Accomplishment Report

GPB No.	Gender Mandate	Issue/GAD	Actual Result (Outputs/Outcomes)	Actual Cost	Variance/Remarks
1	Lack of in-house or station produced shows and online content that solely focus on discussing issues about gender and development		GAD related plugs of Women's Month, Mother's Day, Father's Day, Pride Month and VAWC - Airtime and Production Cost (Merchandising)	6,155,000.00 Locally Funded Project	Partially Done
2	Underrepresentation of women and inadequate coverage of gender issues and concerns in PTNI programs		Online Virtual Guesting within the Rise and Shine Program topics are as follows: PCW: National Women' Month-March 2, 2021; PCW: Musik-Juana-May 20, 2021; PCW: Unpaid Carework-June 9, 2021; PCW: Safe Spaces Act and Mommy Practicality Successful Empowered Women-July 19, 2021; PCW: VAWC-November 29 and December 11, 2021; PCW: Women Empowerment "Nanay Prenuer"-November 11, 2021; PCW: Women Empowerment "Women's Rights Advocates"-December 1, 2021; and PCW: Caraga LGU Govt @ Work-December 23, 2021.	302,400.00 Corporate Funds	Partially Done
			Topic of the one hour Talk Show Program Iskoolmates: Victim Blaming 2/18/2021; Teenage Pregnancy 2/25/2021; Sexism in Sports 8/19/2021; Belo Ads Controversy 8/26/2021; End Child Rape Bill 9/30/2021; Public Eye: Isang Palapag Kong Langit 3/23/2021; Mga Munting Pangarap ng Tribo 4/6/2021; Karugtong ng Kanyang Buhay 4/20/2021; Mga Likha ng Tribo Iraya 8/24/2021; Ang Unang Laban ni Raquel 12/21/2021 Beyond Letters (LGBTQIA Special) Rights, Societal Issues and Empowerment 11/16/2021	533,000.00 Corporate Budget	
			Voice-over material within Sports Program December 1/3/2021	70,000.00 Corporate Budget	
			News coverages on various GAD related feature materials (e.g. GST conducted with the Women's Weavers Association from Baguio City November 5, 2021)	5,447,605.00 Locally Funded	



GPB No.	Gender Mandate	Issue/GAD	Actual Result (Outputs/Outcomes)	Actual Cost	Variance/Remarks
3	Stakeholders/clients have limited awareness of PTNI GAD activities		Various GAD related reports posted on PTV's social media accounts The possible content of the website was briefly discussed. No follow-up on this activity was made due to COVID-19 related factors	Locally Funded 0.00 Locally Funded Project	Not Done
4	Limited awareness of clients on GAD and gender issues		No consultations were done due to COVID-19 related factors	0.00 Locally Funded Project	Not Done
5	There has been no scheme or gauge to know if programs were Gender Responsive and there is no system that encourages the production of Gender Responsive programs		No awarding scheme to reward Gender Responsive programs was done due to COVID-19 related factors	0.00 Locally Funded Project	Not Done
6	Media practitioners inconsistent use of Gender Fair Language		No trainings and seminars on Gender Fair Media/Language were conducted due to COVID-19 related factors	0.00 Locally Funded Project	Not Done
7	Lack of office policies, memoranda, issuances, and other official communication addressing practical and strategic gender needs		No office policies, memoranda, issuances and other official communication were issued	0.00 Locally Funded Project	Not Done
8	Weak participation and info awareness on celebratory programs		No activity on Women's Month due to COVID-19 related factors Some members of the GFPS went to Baguio City and conducted a Gender Sensitivity Training for the Women Weavers of Brgy. West Quirino Hill, Baguio City in celebration of VAWC	23,411.00 Locally Funded Project	Partially Done
9	Absence of monitoring and evaluation system for GAD		No GAD monitoring and evaluation system was created. The sub-committee that was supposed to supervise the Monitoring and Evaluation of GAD was also not formed or created	0.00 Locally Funded Project	Not Done
10	GFPS' inconsistent and non-regular conduct of gender analysis, mainstreaming, HGDG and other GAD tools that could help		Conduct of Gender Planning and Analysis in Baguio City with members of the GFPS	20,000.00 Corporate Funds  138,645.00 Corporate Funds	Done



GPB No.	Gender Mandate	Issue/GAD	Actual Result (Outputs/Outcomes)	Actual Cost	Variance/Remarks
	assess/measure the agency's responsiveness and sensitivity			67,388.00 Corporate Funds	
11	Limited knowledge of employees on Gender and Development (GAD)		Conducted Basic Orientation seminar for PTV employees (115 participants)	1,146.00 Corporate Funds	Done MOOE Attribution
				181,650.00 Locally Funded Project	
12	Difficulty in organizing and planning for PTNI's GAD PAP's		room co-shared with Corporate Planning was assigned to GAD	0.00 Locally Funded Project	Partially Done
13	Sec. 36 (c) Generation and Maintenance of GAD database of RA No. 9710 or Magna Carta of Women		No SDD forms were accomplished due to COVID-19 related factors	0.00 Locally Funded Project	Not Done
14	Lack of support to continue GAD activities in the organization		No hiring was conducted	0.00 Locally Funded Project	Not Done
15	Limited awareness and support of employees from operational units on gender analysis and gender mainstreaming tools		No training for Gender Analysis was conducted due to COVID-19 related factors Few GAD meetings were conducted due to COVID-19 related factors	43,064.00 Corporate Funds	Partially Done
<b>TOTAL</b>				<b>P 12,983,309.00</b>	