



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

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

June 8, 2023

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

PEOPLE'S TELEVISION NETWORK, INC.
OFFICE OF THE GENERAL MANAGER

RECEIVED BY: Clay
DATE: 6/8/23 TIME: 5:24pm

Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **People's Television Network, Inc. (PTNI)**, for the years ended December 31, 2022 and 2021.

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

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PTNI for the years ended December 31, 2022 and 2021 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 P160.691 million as of December 31, 2022 could not be established due to: (1) variance between bank confirmation and balance per books amounting to P39.696 million, in absolute amount, mainly because of five closed bank accounts in absolute amount of P20.828 million which are still included in the books; (b) discrepancy amounting to P0.534 million between the amount of Cash-Collecting Officer (General Fund) sub-account per General Ledger (GL) maintained by the Accounting Section and Report of Collection and Deposit (RCD) prepared by the Cashier; and (c) the Cash-Collecting Officer account of P0.757 million was overstated by P102,949 in view of the inclusion of Cash-Collecting Officer (One Morning) sub-account in which said project was already terminated in CY 2010 and pertinent documents related thereto could no longer be located, contrary to Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1.
2. The faithful representation in the financial statements of the balance of Property, Plant and Equipment (PPE) account with a carrying amount of P2.459 billion as

of December 31, 2022 could not be ascertained in view of: (a) variances between the balances per Accounting records and the Report on the Physical Count of PPE (RPCPPE) amounting to P502.963 million; (b) discrepancies between the balances of Accumulated Depreciation per GLs and the Lapsing schedules in absolute amount of P73.340 million and accounts with no Lapsing schedules with total carrying amount of P245.549 million; (c) errors in providing depreciation resulting in understatement of PPE account balance in the amount of P4.787 million and existence of PPE sub-accounts with negative book values in the total carrying amount of P(18.799) million; and (d) non-derecognition of various unserviceable PPE items costing P118.509 million due to non-disposal thereof resulting in the overstatement of various PPE accounts in the same amount, contrary to Paragraph 27 of IPSAS 1 - Presentation of Financial Statements, and Paragraph 82 of IPSAS 17 – Property, Plant and Equipment.

Moreover, Management was unable to implement Section 23 of the General Provisions of Republic Act No. 11639 also known as the General Appropriations Act for Fiscal Year 2022 relative to the increase in the capitalization threshold from P15,000.00 to P50,000.00, as prescribed under COA Circular No. 2022-004 dated May 31, 2022.

3. The faithful representation in the financial statements of the balance of the Receivables account in the gross amount of P807.108 million and net book value of P176.791 million as of December 31, 2022 could not be ascertained in view of: (a) discrepancies between the balances per GLs and their Subsidiary Ledgers (SLs) in absolute amount of P135.283 million and accounts with no SLs totaling P85.393 million; (b) variances between balance per books and the confirmed amount totaling P22.094 million while several accounts were either 'return to sender' or had no reply at all; (c) existence of abnormal or negative balances in the total amount of P0.795 million; (d) over impairment on Accounts Receivable (AR) – Others account by P13.256 million, non-impairment of Due from Officers and Employees account amounting to P5.893 million and erroneous recording of impairment on AR – Co-Production; and (e) inclusion of dormant accounts totaling P675.757 million or 83.73 percent of the total account balance of Receivable, contrary to Paragraph 27 of IPSAS 1 - Presentation of Financial Statements, Sections 111 and 114 of PD No. 1445, Paragraph 67 of IPSAS 29 – Financial Instruments: Recognition and Measurement and COA Circular No. 2016-005 dated December 19, 2016.
4. The faithful representation in the financial statements of the balance of the Trust Liability Accounts in the total amount of P40.545 million as of December 31, 2022 could not be ascertained due to: (a) the presence of six Trust Liability accounts in the net aggregate amount of P14.956 million with purposes fully attained, observed to be dormant for a period of 2 to 15 years and with abnormal balances in the books; and (b) Trust Liability – Others amounting P24.104 million are not supported with adequate SLs, contrary to Paragraph 27 of IPSAS 1 - Presentation of Financial Statements, and Section 114 of PD No. 1445, respectively.
5. Several accounts relative to One-Morning and Continuing Studies for Teachers via Television (Constel) programs with net amount of (P9.706) million and P4.485 million, respectively, that were determined to be terminated, dormant for a period

of more than 10 years and with abnormal items affected the fair presentation of the Financial Statement contrary to Paragraph 27 of IPSAS 1 - Presentation of Financial Statements.

6. The faithful presentation in the financial statements of the balance of the Other Assets – Advances account amounting P46.477 million as of December 31, 2022 could not be established due to: (a) unrecorded discrepancies between the GLs and their SLs in absolute amount of P1.147 million and accounts with no SLs totaling P30.340 million; and (b) existence of abnormal (negative) balance amounting to P0.810 million, contrary to Paragraph 27 of IPSAS 1 - Presentation of Financial Statements.

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. Locate/identify all the pertinent documents relative to five closed bank accounts that are still reflected in the books; and
- b. Exert all efforts to determine the causes of the identified variances relative closed bank accounts, review/analyze the nature of the bank credit and debit memos and other book reconciling items, and effect necessary adjustments in the books to fairly present the Cash and Cash Equivalents account in the financial statements.

1.2 Direct the Finance Division to require the Accounting Section to:

- a. Fast-track the recovery of the pertinent documents and reconcile with the Treasury Section to determine the cause of discrepancy of P0.534 million between the balance of the Cash-Collecting Officer (General Fund) per GL and RCD as of December 31, 2022, and make the necessary adjusting entry; and
- b. Exert more efforts to provide the details or breakdown as to the nature of the Cash Collecting Officer – One Morning account recorded in the books and effect 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 the 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 P118.509 million; and

- c. 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.

2.2. We further recommended that Management instruct the:

- a. Accounting and Property Sections to conduct regular reconciliation of their records to facilitate the identification of discrepancies and to establish the accuracy of the recorded balances of the PPE accounts; and
- b. Accounting Section to:
 - i. Maintain complete and updated Lapsing schedules to support the GL's balances of the PPE account;
 - ii. Reconcile the Accumulated Depreciation balances between the GLs and Lapsing schedules of the PPE sub-accounts, analyze and investigate further the causes of the noted variances and exert effort to locate the supporting documents and prepare the necessary adjusting entries;
 - iii. Review and analyze depreciation of each PPE sub-account which shall include among others sub-accounts with negative book values and make the necessary adjustments in the books; and
 - iv. Adopt COA Circular No. 2022-004 dated May 31, 2022 relative with the increase in the capitalization threshold from P15,000.00 to P50,000.00 of tangible items.

3.1 Direct the Finance Division 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 necessary 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. 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.

3.2 Direct Accounting Section to:

- a. Reconcile with the clients the variances noted in the confirmation of AR and make the necessary adjustments as applicable;

- b. Analyze the receivables account to ascertain the cause of abnormal or negative balances and reclassify to payable accounts, if warranted;
- c. Make the necessary adjusting entries to correct the errors committed in the provision and recording of the Allowance for Impairment on 'AR - Others' and 'AR – Co Production' accounts; and
- d. Establish policies or guidelines governing the provision or computation of Allowance for Impairment which shall include among others, rates or percentage to be used in the computation and which accounts are to be provided with impairment such as 'Due from Officers and Employees' account.

4.1. Instruct the Accounting Section to:

- a. Prepare a timetable to prioritize the evaluation of the six Trust Liability accounts determined to be fully implemented, remain non-moving/dormant for years and with abnormal balances for review, analysis and adjustments in the books to reflect the accurate balance;
- b. Submit the pertinent documents used in the review, analysis and adjustments made to the Audit Team, for evaluation; and
- c. Fast track the preparation of SLs of account Trust Liability - Others to facilitate review of its validity and accuracy.

5.1 Direct the Accounting Section to:

- a. Fast-track and exert more efforts thus making all the documents available to facilitate the immediate derecognition of the above-mentioned programs and warrant the preparation of journal entry vouchers to cleanse its financial records free from any misinformation; and
- b. Submit the pertinent documents used in the review, analysis and adjustments made to the Audit Team, for evaluation.

6.1. Direct the Accounting Section to:

- a. Maintain complete SLs to support the GL balances of the Other Assets-Advances accounts;
- b. Reconcile the balances between the GLs and SLs of the Other Assets-Advances accounts and prepare the adjusting entries, if necessary;
- c. Analyze and incorporate the account Advances to Officers and Employees-Statement of Audit Suspensions, Disallowances and Charges to Receivable from Disallowances/Charges account; and

- d. Examine the transactions affecting the Advances to various Accountable Officers (AOs) with negative balances and prepare the necessary adjusting entries.

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

7. Cash advances (CAs) totaling P14.691 million granted in CY 2022 and prior years were not liquidated as of December 31, 2022 and AOs 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.
 - 7.1. We reiterated our prior years' audit recommendations that Management instruct the Accounting Section to:
 - a. Require the concerned AOs to immediately liquidate their outstanding CAs in compliance with Section 1.2 of COA Circular No. 2012-001;
 - b. Continue monitoring and/or sending demand letters to AOs within 10 days before the expiration of the prescribed period of liquidation to avoid further accumulation of the unliquidated CAs. If after due notice, the concerned AOs were still unable to liquidate on time, cause the withholding of his/her salary per Section 5 of COA Circular No. 97-002 dated February 10, 1997;
 - c. Require and implement the liquidation of previous CA before the grant of another CA for proper control and monitoring in compliance with Section 1.1 of COA Circular No. 2012-001; and
 - d. Communicate/coordinate with the resigned Contract of Service employees to liquidate their respective outstanding CAs to facilitate the release of their last salaries.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 9, 2023 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

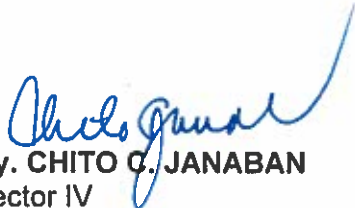
In our transmittal letter of even date, we requested the Network General Manager and COO of the PTNI to implement the recommendations contained in the report and to inform this Commission on the actions taken thereon within 60 days from receipt of the report.

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

Very truly yours,

COMMISSION ON AUDIT

By:



Atty. CHITO C. JANABAN
Director IV
Cluster Director

Copy furnished:

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



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

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

June 8, 2023

Dr. JULIO O. CASTILLO Jr. PhD
Network General Manager & COO
People's Television Network, Inc.
Visayas Avenue, Quezon City

PEOPLE'S TELEVISION NETWORK, INC.
OFFICE OF THE GENERAL MANAGER

RECEIVED BY: Chay
DATE: 6/8/23 TIME: 5:24pm

Dear General Manager and COO Castillo:

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Moreover, Management was unable to implement Section 23 of the General Provisions of Republic Act No. 11639 also known as the General Appropriations Act for Fiscal Year 2022 relative to the increase in the capitalization threshold from P15,000.00 to P50,000.00, as prescribed under COA Circular No. 2022-004 dated May 31, 2022.

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5. Several accounts relative to One-Morning and Continuing Studies for Teachers via Television (Constel) programs with net amount of (P9.706) million and P4.485 million, respectively, that were determined to be terminated, dormant for a period

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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. Locate/identify all the pertinent documents relative to five closed bank accounts that are still reflected in the books; and
- b. Exert all efforts to determine the causes of the identified variances relative closed bank accounts, review/analyze the nature of the bank credit and debit memos and other book reconciling items, and effect necessary adjustments in the books to fairly present the Cash and Cash Equivalents account in the financial statements.

1.2 Direct the Finance Division to require the Accounting Section to:

- a. Fast-track the recovery of the pertinent documents and reconcile with the Treasury Section to determine the cause of discrepancy of P0.534 million between the balance of the Cash-Collecting Officer (General Fund) per GL and RCD as of December 31, 2022, and make the necessary adjusting entry; and
- b. Exert more efforts to provide the details or breakdown as to the nature of the Cash Collecting Officer – One Morning account recorded in the books and effect 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 the 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 P118.509 million; and

- c. 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.

2.2. We further recommended that Management instruct the:

- a. Accounting and Property Sections to conduct regular reconciliation of their records to facilitate the identification of discrepancies and to establish the accuracy of the recorded balances of the PPE accounts; and
- b. Accounting Section to:
 - i. Maintain complete and updated Lapsing schedules to support the GL's balances of the PPE account;
 - ii. Reconcile the Accumulated Depreciation balances between the GLs and Lapsing schedules of the PPE sub-accounts, analyze and investigate further the causes of the noted variances and exert effort to locate the supporting documents and prepare the necessary adjusting entries;
 - iii. Review and analyze depreciation of each PPE sub-account which shall include among others sub-accounts with negative book values and make the necessary adjustments in the books; and
 - iv. Adopt COA Circular No. 2022-004 dated May 31, 2022 relative with the increase in the capitalization threshold from P15,000.00 to P50,000.00 of tangible items.

3.1 Direct the Finance Division 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 necessary 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. 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.

3.2 Direct Accounting Section to:

- a. Reconcile with the clients the variances noted in the confirmation of AR and make the necessary adjustments as applicable;

- b. Analyze the receivables account to ascertain the cause of abnormal or negative balances and reclassify to payable accounts, if warranted;
- c. Make the necessary adjusting entries to correct the errors committed in the provision and recording of the Allowance for Impairment on 'AR - Others' and 'AR – Co Production' accounts; and
- d. Establish policies or guidelines governing the provision or computation of Allowance for Impairment which shall include among others, rates or percentage to be used in the computation and which accounts are to be provided with impairment such as 'Due from Officers and Employees' account.

4.1. Instruct the Accounting Section to:

- a. Prepare a timetable to prioritize the evaluation of the six Trust Liability accounts determined to be fully implemented, remain non-moving/dormant for years and with abnormal balances for review, analysis and adjustments in the books to reflect the accurate balance;
- b. Submit the pertinent documents used in the review, analysis and adjustments made to the Audit Team, for evaluation; and
- c. Fast track the preparation of SLs of account Trust Liability - Others to facilitate review of its validity and accuracy.

5.1 Direct the Accounting Section to:

- a. Fast-track and exert more efforts thus making all the documents available to facilitate the immediate derecognition of the above-mentioned programs and warrant the preparation of journal entry vouchers to cleanse its financial records free from any misinformation; and
- b. Submit the pertinent documents used in the review, analysis and adjustments made to the Audit Team, for evaluation.

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- a. Maintain complete SLs to support the GL balances of the Other Assets-Advances accounts;
- b. Reconcile the balances between the GLs and SLs of the Other Assets-Advances accounts and prepare the adjusting entries, if necessary;
- c. Analyze and incorporate the account Advances to Officers and Employees-Statement of Audit Suspensions, Disallowances and Charges to Receivable from Disallowances/Charges account; and

- d. Examine the transactions affecting the Advances to various Accountable Officers (AOs) with negative balances and prepare the necessary adjusting entries.

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

7. Cash advances (CAs) totaling P14.691 million granted in CY 2022 and prior years were not liquidated as of December 31, 2022 and AOs 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.
 - 7.1. We reiterated our prior years' audit recommendations that Management instruct the Accounting Section to:
 - a. Require the concerned AOs to immediately liquidate their outstanding CAs in compliance with Section 1.2 of COA Circular No. 2012-001;
 - b. Continue monitoring and/or sending demand letters to AOs within 10 days before the expiration of the prescribed period of liquidation to avoid further accumulation of the unliquidated CAs. If after due notice, the concerned AOs were still unable to liquidate on time, cause the withholding of his/her salary per Section 5 of COA Circular No. 97-002 dated February 10, 1997;
 - c. Require and implement the liquidation of previous CA before the grant of another CA for proper control and monitoring in compliance with Section 1.1 of COA Circular No. 2012-001; and
 - d. Communicate/coordinate with the resigned Contract of Service employees to liquidate their respective outstanding CAs to facilitate the release of their last salaries.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 9, 2023 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:


Atty. **CHITO C. JANABAN**
Director IV
Cluster Director

Copy furnished:

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

(Name of the Agency and Address)

**AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 20XX
As of _____**

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

Agency sig-off:

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed