



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

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

June 25, 2024

Mr. JOSE C. POLICARPIO, JR.
President and CEO
Intercontinental Broadcasting Corporation
Broadcast City, Capitol Hills
Diliman, Quezon City

RECEIVED BY: W. G. G. G. 6/25/24
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Dear President and CEO Policarpio:

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 **Intercontinental Broadcasting Corporation (IBC-13)**, for the years ended December 31, 2023 and 2022.

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 IBC-13 for the years ended December 31, 2023 and 2022 in view of the following:

1. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with a carrying amount of P253.388 million as at December 31, 2023 could not be established in view of: (a) incomplete physical inventory count; and (b) variance amounting to P5.657 million between the balance per books and the Report on the Physical Count of PPE. Moreover, the PPE account is misstated due to: (a) misclassification of the cost of the repair of IBC-13 building amounting to P256,557 to the Repairs and Maintenance Expense - Buildings and Other Structures account instead of capitalizing the same to the appropriate PPE account, thus, resulted to the understatement of the PPE account with the corresponding overstatement of the said expense account by the same amount; and (b) misclassification of IBC-13's Condominium Unit held for lease with a book value of P4.074 million as PPE instead of Investment Property, contrary to Paragraphs 10 and 20 of International Public Sector Accounting Standards (IPSAS) 16, resulting

in the overstatement of the PPE account with the corresponding understatement of the Investment Property account by the same amount, which are not in accordance with Paragraph 27 of IPSAS 1. Furthermore, non-maintenance of PPE Ledger Cards by the Accounting Section (AS) and Property Cards by the Asset and Property Management Office (APMO) is not in accordance with Section 42, Chapter 10 of Government Accounting Manual, Volume I. In addition, the recorded revaluation increment of land and building under Revaluation Surplus account amounting to P422.186 million as at December 31, 2023 remained unadjusted, contrary to the Philippine Application Guideline No. 2 of IPSAS 17 affecting the fair presentation of the account and its related account in the Financial Statements. Lastly, unserviceable PPE items costing P16.580 million, with residual value of P301 were not yet disposed as at December 31, 2023, contrary to Section 79 of PD No. 1445, depriving the Network of a higher return had these properties been immediately disposed of.

2. The faithful representation in the financial statements of the balance of the Receivables account with a carrying amount of P174.879 million as at December 31, 2023 could not be ascertained due to: (a) non-maintenance of Subsidiary Ledgers (SLs) and unavailability of supporting documents for the recorded receivables aggregating P327.923 million; (b) variance between balance per books and the confirmed balance amounting to P136.071 million; (c) existence of negative balances in the total amount of P17.808 million; and (d) non-updating of the impairment on Accounts Receivable – Trade and Other Receivables accounts as at year-end, which are not in accordance with Paragraph 27 of the IPSAS 1 and Paragraph 67 of IPSAS 29. Moreover, inclusion of dormant accounts totaling P318.295 million which could have been submitted to COA for Request for Authority to Write-off was noted by the Audit Team.
3. The faithful representation in the financial statements of the balance of the Cash and cash equivalents account in the total amount of P18.574 million as at December 31, 2023 could not be ascertained due to: (a) inclusion of non-existing bank account with a balance of P8.994 million and non-conversion of US Dollar-denominated account using the closing rate as at reporting date; and (2) inclusion of negative balance of Cash collecting officer account amounting to P5.143 million as at December 31, 2023, mainly due to the unreconciled prior years' balances between the amount of Cash collecting officer account per General Ledger (GL) maintained by the AS and Monthly Cashier's Report prepared by the Treasury Section, contrary to Paragraph 27 of IPSAS 1 and Paragraph 20 of IPSAS 4.
4. The reliability, validity and accuracy of the balance of the Tax Withheld at Source account in the amount of P18.034 million as at December 31, 2023 were doubtful due to unavailability of the Certificates of Creditable Tax Withheld at Source for taxes amounting to P17.781 million, not in accordance with Paragraph 27 of the IPSAS 1.

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

- 1.1. Direct the APMO to ensure that the conduct of the annual physical inventory count of PPE is completed and a corresponding Report of Physical Count of PPE (RPCPPE) is prepared, and a copy of which is submitted to the Audit Team;
- 1.2. Direct the Accounting Section and APMO to:
 - a. Determine the cause(s) of the variances noted between the books and the RPCPPE, and effect necessary adjustments/corrections on the affected records; and
 - b. Maintain complete PPE Ledger Cards and Property Cards for each item of PPE to facilitate reconciliation of the records;
- 1.3. Direct the Accounting Section to:
 - a. Capitalize the cost of repairs for the IBC-13 building and make necessary adjustments to the related accounts to correct their balances as at December 31, 2023;
 - b. Reclassify the Condominium Unit held for lease amounting to P4.074 million to Investment Property instead of PPE in accordance with IPSAS 16; and
 - c. Exert diligent efforts to locate and identify all documents affecting the Revaluation Surplus account and prepare the necessary adjusting entries on the affected accounts;
- 1.4. Comply with the requirements of COA Circular No. 2020-006 dated January 31, 2020 to avail the one-time cleansing of PPE; and
- 1.5. Instruct the 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 for the preparation of the necessary adjusting entries.
- 2.1. Direct the Accounting Section to:
 - a. Maintain SLs for the clients of the Network to facilitate monitoring of the receivables and exert diligent efforts to locate the supporting documents of the recorded Receivables account totaling P327.923 million;
 - b. Make representation with the Commission Proper, this Commission as to the status of the money claim relative to the receivables from DepEd;

- c. Analyze the cause(s) of the negative balances and make the necessary adjusting entries;
- d. Establish written guidelines governing the provision or computation of Allowance for Impairment which shall include among others, percentage to be used and accounts that are to be provided with impairment;
- e. Assess the adequacy/appropriateness of the Allowance for Impairment on AR-Trade and Other Receivables accounts, and make the necessary adjusting entries, if warranted; and
- f. Submit Request for Authority to Write-off Dormant Accounts to COA following the guidelines and procedures prescribed under COA Circular No. 2023-008 dated August 17, 2023.

3.1. Direct the Finance Division to require the Accounting Section to:

- a. Exert diligent efforts in locating the pertinent documents relative to the non-existing bank account that remains reflected in the books and effect the necessary adjusting entry related thereto;
- b. Prepare the necessary adjusting entry to convert/report the US dollar-denominated bank account using the closing rate, and accordingly, recognize in the books of accounts the unrealized foreign exchange gain or loss arising therefrom; and
- c. Determine the nature and locate the pertinent documents relative to the variance from prior years and make the necessary adjusting entries to address the discrepancies between the Cash collecting officer per GL and per Monthly Cashier's Report as at December 31, 2023.

4.1. Instruct the Finance Division to:

- a. Analyze the beginning balance of Tax Withheld at Source account and prepare the necessary adjustment to reflect the accurate balance of the account;
- b. Immediately make representation with the Bureau of Internal Revenue (BIR) to confirm whether the balance of Tax Withheld at Source account particularly those from prior years could still be revalidated and be used as tax credit;
- c. Demand from the IBC-13 clients concerned the copies of BIR Form No. 2307; and
- d. Moving forward, ensure that copies of BIR Form No. 2307 will be secured for all the collections of the Network.

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

5. Propriety of procurements made by the Network through Shopping and Small Value Procurement (SVP) in the total amount of P3.408 million could not be established due to the non-submission of the documents required under Items C.2(b), D.8(b) and Appendix A of Annex H of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184. Further, Purchase Orders for the procurements made by IBC-13 through Shopping and SVP for CY 2023 in the total amount of P3.408 million were not supported by Certificate of Availability of Funds, contrary to Section 3.1.2 of COA Circular No. 2009-001 dated February 12, 2009.

5.1 We recommended that Management:

- a. Require the Bids and Awards Committee, Purchasing, and the AS to submit all the required lacking documents to the Office of the Auditor for evaluation;
- b. Moving forward, strictly adhere to Items C.2(b) and D.8(b) and Appendix A of Annex H of the 2016 RIRR of RA No. 9184 relative to documentary requirements in the procurement through Shopping and SVP; and
- c. Strictly comply with Section 3.1.2 of COA Circular No. 2009-001 dated February 12, 2009 on the requirement of the Certificate of Availability of Funds, moving forward.

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 June 7, 2024 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially implemented 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 Management extended to the Audit Team, thus facilitating the completion of this 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