

EXECUTIVE SUMMARY

INTRODUCTION

The Intercontinental Broadcasting Corporation (IBC-13) was originally incorporated as the Continental Broadcasting Corporation (CBC) under Securities and Exchange Commission Registration No. 4118 dated May 11, 1970. The Articles of Incorporation was amended on September 30, 1974, renaming CBC to IBC-13, with the same set of stockholders and subscribers to its capital stock. The IBC-13 studios are located at Broadcast City, Capitol Hills, Diliman, Quezon City, while its transmitter is situated at #25 St. Peter Street, Nuestra Señora De La Paz Subdivision, Barangay Sta. Cruz, Antipolo City.

On March 1, 1986, Juan Ponce Enrile, then Minister of National Defense, ordered the sequestration of the Broadcast City television (TV) and radio stations, which included the IBC-13, Radio Philippines Network and Banahaw Broadcasting Corporation, under Ministry Order No. A-003 based on the request of the then Presidential Commission on Good Government (PCGG) Chairman, Jovito Salonga. Thereafter, then President of the Republic of the Philippines, Corazon C. Aquino, issued Executive Order (EO) No. 11 dated April 8, 1986, creating a Board of Administrators to manage and operate the business and affairs of the said stations and have custody of their funds and assets subject to the supervision and control of the PCGG. By virtue of a compromise agreement with the PCGG dated November 3, 1990, the Corporation was surrendered/ceded by Mr. Roberto S. Benedicto to the Republic of the Philippines.

In July 2000, Congress approved the IBC-13's 25-year franchise to operate and maintain radio and television broadcasting stations in the country. Under Section 2 of EO No. 576 dated November 7, 2006, the Corporation and other government communication agencies were placed under the supervision and control of the Director-General, Philippine Information Agency under the Office of the President.

The IBC-13 presently operated under the control and supervision of the Presidential Communications Office (PCO) in accordance with Section 4 of EO No. 4 dated July 30, 2010.

The primary purposes of the Corporation are to carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio, television and/or telecommunication stations on a commercial and/or sustaining operation in any part of the Philippines, and to deal in the manufacture and distribution of radio, TV and other electronic components and/or part thereof.

As at December 31, 2023, the Board of Directors was composed of Mr. Arturo M. Alejandrino, Chairman; Mr. Jose C. Policarpio, Jr., President and Chief Executive Officer (CEO); Mr. Alexander L. Bangsoy, Member; Ms. Jennifer G. Jurado, Member; Mr. Josefino D. Manhilot, Member; Marilyn D. Montano, Member; and Ms. Catherina D. Vilar, Member.

To date, the IBC-13 has only one TV station on air, the IBC-13 Manila.

As at December 31, 2023, the IBC-13 had 166 personnel complement for Central Office and provincial stations consisting of the following:

President and CEO	1
General Manager	1
Managers	7
Directors	7
Supervisors	29
Co-Terminus	3
Rank and file	85
Total Regular	133
Probationary	6
Contractual	2
Total Non-Regular	8
Talent	15
Retainer	7
Contract of Service	3
Total Contract of Service	25

For its privatization process, the IBC-13's Privatization Committee composed of PCO, Governance Commission for Government-owned or Controlled Corporations and IBC-13 is now completing the terms of reference and proper guidelines. To date, the privatization of the IBC-13 is deferred due to the ongoing franchise renewal of the Network.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. COMPARATIVE FINANCIAL POSITION

	2023	2022	Increase (Decrease)
Assets	510,865,755	518,616,201	(7,750,446)
Liabilities	1,114,270,311	1,286,665,292	(172,394,981)
Capital deficiency	(603,404,556)	(768,049,091)	164,644,535

II. COMPARATIVE FINANCIAL PERFORMANCE

	2023	2022	Increase (Decrease)
Revenue	32,226,950	148,341,074	(116,114,124)
Subsidy	187,899,000	73,689,000	114,210,000
Grants and donations	2,833,844	-	2,833,844
Current operating expenses	(214,460,666)	(181,811,627)	(32,649,039)
Non-operating income	704,921	2,491,958	(1,787,037)
Net surplus	9,204,049	42,710,405	(33,506,356)

III. CY 2023 BUDGET AND ACTUAL AMOUNTS

	Budget	Actual	Variance
Personnel services	619,530,368	151,570,413	467,959,955
Maintenance and other operating expenses	124,408,352	55,473,334	68,935,018
Financial and non-cash expenses	-	7,416,919	(7,416,919)
Capital expenditures	215,285,629	-	215,285,629
	959,224,349	214,460,666	744,763,683

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts, transactions and operations of the IBC-13 for Calendar Year (CY) 2023 in accordance with International Standards of Supreme Audit Institutions. It was aimed to express an opinion on the fairness of presentation of the IBC-13's financial position, financial performance and cash flows in accordance with International Public Sector Accounting Standards (IPSASs) and, to determine whether the Network's compliance to 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 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 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 Presidential Decree 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.

OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The other significant 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.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Based on the Statement of Audit Suspensions, Disallowances and Charges issued as at December 31, 2023, the unsettled audit disallowance and suspensions amounted to P2.321 million and P2.817 million, respectively. Details are shown in Table 30, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 39 audit recommendations embodied in the prior year's Annual Audit Report, 15 were fully implemented and 24 were not implemented. Details are shown in Part III of this Report.