



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

## INDEPENDENT AUDITOR'S REPORT

### THE BOARD OF DIRECTORS

Intercontinental Broadcasting Corporation  
Broadcast City, Capitol Hills  
Diliman, Quezon City

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of the **Intercontinental Broadcasting Corporation (IBC-13)**, which comprise the statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes to the 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 IBC-13 as at December 31, 2023 and 2022, 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 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 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.

In addition, 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 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.

Likewise, 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 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 maintained by the Accounting Section and Monthly Cashier's Report prepared by the Treasury Section, contrary to Paragraph 27 of IPSAS 1 and Paragraph 20 of IPSAS 4.

Further, 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.

### **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 IPSAS, 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 IBC-13'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 IBC-13 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the IBC-13'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 International Standards of Supreme Audit Institutions (ISSAIs) 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 ISSAIs 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 IBC-13'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 the IBC-13'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 IBC-13 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, 2023, 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**

**MAY ANNE R. SARMIENTO**

OIC - Supervising Auditor  
Audit Group H -- Development, Media and Other Agencies 2  
Cluster 6 -- Social, Cultural, Trading, Promotional and Other Services  
Corporate Government Audit Sector

June 7, 2024