

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

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 Standard (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 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.

- 1.1 This is a reiteration with updates of the previous year's audit observations as Management was not able to fully implement the recommendations.
- 1.2 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. The application of IPSASs, with additional disclosures when necessary, is

presumed to result in financial statements that achieve a fair presentation.

- 1.3 Various PPE amounting to P391.325 million had a carrying amount of P253.388 million as at December 31, 2023, categorized into sub-accounts as presented in Table 1.

Table 1 - Breakdown of PPE account as at December 31, 2023

PPE account	Cost	Accumulated Depreciation	Carrying Amount
Land	P 75,356,001	P -	P 75,356,001
Other land improvements	576,000	547,200	28,800
Leased asset improvements, buildings and other structure	3,784,000	3,594,799	189,201
Buildings	43,615,884	11,419,619	32,196,265
Other infrastructure assets	9,906,131	9,906,122	9
Communication equipment	244,651,759	102,078,209	142,573,550
Furnitures and fixture	59,417	21,884	37,533
Office equipment	3,183,379	308,946	2,874,433
Motor vehicle	9,941,861	9,809,559	132,302
Other PPE	250,212	250,209	3
Total	P 391,324,644	P 137,936,547	P 253,388,097

Incomplete conduct of physical inventory count

- 1.4 Review of the Report of Physical Count of PPE (RPCPPE) submitted by the Asset and Property Management Office (APMO) showed that out of the total cost of PPE of P258.087 million (excluding land, buildings, improvements and other infrastructure assets), only P167.200 million or 64.78 per cent of the total PPE had been physically counted by the Inventory Team. Details are presented in Table 2.

Table 2 – Balance of PPE sub-accounts per books vis-à-vis PPE Physically Counted

Sub-Account	Per Books	Physically Counted	Per cent
Communication equipment	P 244,651,759	P 157,904,103	64.54
Furnitures and fixture	59,417	59,417	100.00
Office equipment	3,183,379	2,610,925	82.02
Motor vehicle	9,941,861	6,375,097	64.12
Other PPE	250,212	250,212	100.00
Total	P 258,086,628	P 167,199,754	64.78

- 1.5 The conduct of annual physical inventory count of PPE by the Inventory Committee was limited only to the offices located at IBC-13 Main Station. No provincial stations were subjected to annual physical count as per APMO Memorandum dated October 24, 2023. Further, interview with the concerned personnel of the Inventory Committee revealed that for Calendar Year (CY) 2023, physical count of PPE in all departments at the Head Office was conducted, however, conduct of physical count in all provincial stations was not done due to lack of funds. Also, there were no PPE procured for CY 2023 in all provincial stations of the Network.

Variance amounting to P5.657 million between the balance per books and RPCPPE

- 1.6 In February 2024, the APMO submitted the RPCPPE. However, comparison of the balances of various PPE sub-accounts per books and per RPCPPE as at December 31, 2023 showed a variance of P5.657 million, details are in Table 3.

Table 3 - Comparison of the PPE sub-account balances per books and per RPCPPE as at December 31, 2023

Particular	Communication Equipment	Office Equipment	Furniture and Fixture	Other PPE	Motor Vehicle	Total
GL balance	P244,651,759	P3,183,379	P 59,417	P250,212	P9,941,861	P258,086,628
RPCPPE	249,941,949	3,468,107	190,978	273,859	9,868,461	263,743,354
Variance	P (5,290,190)	P (284,728)	P(131,561)	P(23,647)	P P73,400	P (5,656,726)

- 1.7 The noted variances in the PPE sub-accounts were caused by the following reasons:

- a. Various PPE listed on the RPCPPE has no corresponding unit cost including the donated vehicle from Presidential Communication Office (PCO) amounting to P73,400.00; and
- b. Inclusion of PPE below the capitalization threshold of P50,000 in the RPCPPE.

- 1.8 The Audit Team issued an Audit Query Memorandum dated January 19, 2024 and Management answered that the Finance Division and APMO are still in the process of reconciling the variances of the PPE accounts. Further, the Accounting Section (AS) and APMO have yet to complete the Property Cards (PCs) and PPE Ledger Cards (PPELCs), respectively. Hence, there is difficulty on the part of the current Management in retrieving the required data.

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

- 1.9 Paragraphs 14 and 19 of the IPSAS state that:

14. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:

- (a) *It is probable that future economic benefits or service potential associated with the item will flow to the entity; and*
- (b) *The cost or fair value of the item can be measured reliably.*

Xxx

19. An entity evaluates under this recognition principle all its property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

- 1.10 Verification of records on the entries made by the Accounting Section showed that the costs incurred for the repair of IBC-13 old building in Quezon City – Main Station in the total amount of P256,557 for CY 2023 were charged to the Repair & Maintenance Expense – Building & Other Structure account instead of capitalizing them to the appropriate PPE account. Details are shown in Table 4.

Table 4 – Costs incurred for the repair of IBC-13 old building in Quezon City

Journal Voucher No.	Amount
19437	P 5,350
19471	14,600
19472	8,696
19474	17,580
19475	19,850
19476	6,900
19546	88,395
19547	43,696
19554	15,300
19578	4,550
19676	9,300
431241	22,340
Total	P 256,557

- 1.11 Inquiry from the concerned personnel of Accounting Section disclosed that the expenses incurred on the repair of IBC-13 old building in Quezon City were not capitalized because it started with minor repairs until Management decided to make a major repair on the said building. Misclassification of major repairs and improvements of PPE resulted in the overstatement of the Repair and Maintenance Expense amounting to P256,557 and understatement of the PPE account by the same amount.

Misclassification of IBC-13's Condominium Unit held for lease with a book value of P4.074 million as PPE instead of Investment Property

- 1.12 Paragraphs 10 and 20 of IPSAS 16 state that:

10. *Investment Property is defined as property held to earn rentals or for capital appreciation or both. Therefore, investment property generates cash flows largely independently of the other assets held by an entity. Xxx*

20. *Investment property shall be recognized as an asset when, and only when:*

(a) *It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and*

(b) *The cost or fair value of the investment property can be measured reliably.*

1.13 The Statement of Financial Position as at December 31, 2023 showed that IBC-13's Condominium Unit amounting to P4.074 million is recorded in the books as PPE instead of Investment Property despite the fact that it is held/available for rent/lease.

1.14 Inquiry by the Audit Team from the concerned accounting personnel revealed that the said Condominium Unit was acquired through ex-deal transaction in CY 2003. The Network received the said condominium from a client in exchange of airtime slots for the telecast/advertisement of their business pursuant to the pertinent Broadcast Contracts entered into by the client and IBC-13. Considering that the Condominium Unit is held for lease to earn rentals and not for use in the production or supply of goods or services or for administrative purposes, it should be recognized as Investment Property.

1.15 Misclassification of the property held for lease as PPE is not in accordance with IPSAS 16, thus, resulting to the overstatement of the PPE account with the corresponding understatement of the Investment Property account both by P4.074 million.

Inadequate maintenance of PPELCs by the Accounting Section and PCs by the APMO

1.16 Section 42, Chapter 10, Government Accounting Manual (GAM), Volume I, provides that:

The Chief Accountant shall maintain the PPELC for each category of PPE. The PPELC shall be kept to record promptly the acquisition, impairment loss, disposal, and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained

by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

- 1.17 Verification revealed that the Accounting Section and APMO do not maintain adequate PPELCs and PCs, respectively, despite the previous year’s audit recommendations. The maintenance of these records is necessary to facilitate the reconciliation process for each class or category or item of PPE. Inquiry from the concerned personnel of APMO disclosed that the preparation of PCs was not yet started due to lack of manpower and voluminous work assigned to them while the Accounting Section was already almost 50% on the prepared PPELCs of the recorded PPE. In view of the non-maintenance of complete PCs, the reconciliation of the PPE balance between the accounting and property records as well as the RPCPPE could not be facilitated.
- 1.18 Meanwhile, the Audit Team would like to apprise IBC-13 Management of COA Circular No. 2020-006 dated January 31, 2020, prescribing the “*Guidelines and Procedures in the Conduct of Physical Count of Property, Plant and Equipment (PPE), Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies*”. The rationale in issuing such guidelines and procedures is to assist government agencies in coming up with reliable PPE balances that are verifiable as to existence, condition and accountability. The existence of discrepancies in PPE account balances of government agencies has become a perennial issue and caused doubts on the accuracy of the PPE balances presented in the financial statements.

The recorded revaluation increment of land and building under Revaluation Surplus account amounting to P422.186 million as at December 31, 2023 remained unadjusted

- 1.19 Section 7.3 (d) (5) of COA of Circular No. 2017-004 dated December 13, 2017 provides that:

Philippine Application Guidance (PAG) No. 2 of IPSAS 17 provides that for consistency and uniformity, the cost model shall be adopted for all classes of PPE. Prior to the adoption of IPSAS, if a Non-GBE has adopted the revaluation model in the valuation of its PPE, the disposition of the Revaluation Surplus/Appraisal Capital Stock account shall be dealt with as a change in accounting policy as follows: (underscoring ours)

<i>Revaluation Surplus/Appraisal Capital Stock</i>	<i>xxx</i>
<i>Accumulated Depreciation – Appropriate PPE Account</i>	<i>xxx</i>
<i>Appropriate PPE Account</i>	<i>xxx</i>

To recognize the effect of the change in accounting policy as a result of adopting the cost model in the valuation of PPE

- 1.20 Prior to CY 2021, the Network's financial statements were prepared in accordance with generally accepted accounting principles, hence, a revaluation surplus was recognized in the amount of P982.545 million. However, upon IBC-13's adoption of IPSAS as its financial reporting framework in CY 2021, IBC-13 employed the cost model in lieu of the revaluation model in compliance with Section 7.3 (d) (5) of COA Circular No. 2017-004 dated December 13, 2017.
- 1.21 However, review of transactions affecting the Revaluation Surplus account revealed a partial adjustment evidenced by Journal Entry Voucher (JEV) No. 19353 dated November 29, 2022 amounting to P560.359 million. As a result, the said account displayed a balance of P422.186 million as at year-end. Further, the Accounting Section commented that any further adjustment to reduce the said year-end balance to cost is not possible because the related assets (building and land) were already presented at cost as at December 31, 2023. Furthermore, the pertinent documents affecting the revaluation account could not be located as basis for adjustments.
- 1.22 The non-reduction in full of the recorded revaluation increment of land and building under the Revaluation Surplus is not in accordance with the above-cited provision of PAG No. 2 of IPSAS 17, thus, affected the fair presentation of the PPE and its related accounts in the financial statements.

Unserviceable PPE items costing P16.580 million, with residual value of P301 were not yet disposed as at December 31, 2023

- 1.23 Further, Section 79 "Destruction or sale of unserviceable property" of Presidential Decree (PD) No. 1445 states that:

When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee an award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same

committee or body concerned and approved by the Commission.

- 1.24 Verification of records showed that unserviceable properties costing P16.580 million, with residual value of P301 as at December 31, 2023 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 5.

Table 5 – Inventory of Unserviceable Properties as at December 31, 2023

Station	Various PPE	Transmitter/ Communication Equipment	Motor Vehicles	Total Cost	Residual Value
Quezon City – Main Station					
Engineering – Broadcast Technical Support	P378,885	-	-	P 378,885	P 3
Engineering Office – Main Station	10,000	-	-	10,000	1
Motorpool – Main Station	-	-	P4,480,946	4,480,946	7
Subtotal	P388,885	-	P4,480,946	P4,869,831	P11
Provincial Stations					
TV-6 Baguio City	P 64,824	-	-	P 64,824	P 9
TV-10 CDO City	215,831	-	-	215,831	20
TV-13 Cebu	642,602	-	P676,818	1,319,420	78
TV-13 Davao City	1,070,963	-	975,000	2,045,963	77
DYBQ Iloilo	93,075	P2,386,600	542,091	3,021,766	45
Guimaras Transmitter	-	2,971,087	-	2,971,087	10
DYJJ Roxas City	771,284	-	495,000	1,266,284	47
TV-12 Iloilo (Rizal)	800	-	804,454	805,254	4
Subtotal	P 2,859,379	P5,357,687	P3,493,363	P11,710,429	P290
Total	P 3,248,264	P5,357,687	P7,974,309	P16,580,260	P301

- 1.25 Inquiry from the concerned personnel from the APMO and Accounting Section revealed that the Inventory and Inspection Report of Unserviceable Property (IIRUP) is yet to be prepared. APMO explained that the list of unserviceable items based on Inventory Report for CY 2023 will be submitted to the Disposal Committee for inspection as soon as possible. IIRUP will be prepared once inspection is conducted. The Audit Team was also informed that there is a pending disposal of unserviceable properties subject for public bidding in CY 2024 with approved IIRUP to the Disposal Committee amounting to P1.520 million, with residual value of P47, as shown in Table 6.

Table 6 – Unserviceable Properties with Approved IIRUP for Disposal

Station	Amount	Residual Value
IBC-13 Roxas - DYJJ	P 676,785	P 36
IBC-13 CDO	166,273	9
IBC-13 Cebu	676,818	2
Total	P1,519,876	P 47

1.26 The delayed disposal thereof, deprived the Network of a higher return had these properties been immediately disposed through sale or negotiation, thus, contrary to Section 79 of PD No. 1145.

1.27 **In view of the foregoing, we recommended that Management:**

- a. **Direct the APMO to ensure that the conduct of the annual physical inventory count of PPE is completed and a corresponding RPCPPE is prepared, and a copy of which is submitted to the Audit Team;**
- b. **Direct the Accounting Section and APMO to:**
 - i. **Determine the cause(s) of the variances noted between the books and the RPCPPE, and effect necessary adjustments/corrections on the affected records; and**
 - ii. **Maintain complete PPELCs and PCs for each item of PPE to facilitate reconciliation of the records;**
- c. **Direct the Accounting Section to:**
 - i. **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;**
 - ii. **Reclassify the Condominium Unit held for lease amounting to P4.074 million to Investment Property instead of PPE in accordance with IPSAS 16; and**
 - iii. **Exert diligent efforts to locate and identify all documents affecting the Revaluation Surplus account and prepare the necessary adjusting entries on the affected accounts;**
- d. **Comply with the requirements of COA Circular No. 2020-006 dated January 31, 2020 to avail the one-time cleansing of PPE; and**
- e. **Instruct the Disposal Committee to prepare the IIRUP 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.**

1.28 The Management commented that the physical inventory was done in the Central Office, Antipolo Transmitter, and PTV4 Transmitter. Provincial physical inventory was not done due to limited budget and because the Disposal Committee were facilitating the disposal of unserviceable

properties of several provincial stations, in preparation for the one-time cleansing of PPE account balances.

- 1.29 Further, the APMO included the donated vehicle from the PCO in the inventory. However, no value was indicated due to lack of basis. Also, necessary adjustments for the capitalization of the cost of repairs of the IBC-13 building which includes the COA Office and Storage have been made by the Accounting Section, as per JEV No. 19855 dated February 29, 2024. As for the Condominium Unit, it was reclassified into an Investment Property – Building as per JEV No. 19908 dated April 30, 2024.
 - 1.30 Both the Finance Department and APMO committed to exert maximum effort to continuously reconcile variances on the balances on the IBC-13's records affecting the Revaluation Surplus account. Likewise, the Accounting Section is exerting effort to locate and identify all documents affecting the Revaluation Surplus account and will prepare the necessary adjusting entries on the said account.
 - 1.31 The Accounting Section and APMO were given instruction to comply and submit the requirements as recommended by the Commission and as part of the Network's compliance. Further, the Accounting Section has begun the preparation of PPELC and is doing its best to update and maintain complete PPELC.
 - 1.32 Lastly, the Disposal Committee has an ongoing proceeding regarding the evaluation and disposal of unserviceable properties. Further, the status of all IIRUP prepared by the APMO for provincial stations such as Cagayan de Oro, Davao, and Iloilo were already emailed to the Finance Department for encoding of necessary data. Other pertinent information will be prepared and forwarded to the Accounting Section by the APMO and Disposal Committee for the preparation of adjusting entries.
 - 1.33 As a rejoinder, the Audit Team acknowledged the actions taken and commitment by the Network to address the recommendations. The pertinent vouchers containing the adjustments shall be reviewed by the Audit Team. Further, their full compliance with the audit recommendations will be monitored in CY 2024 audit.
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 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 International Public Sector Accounting Standards (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.

- 2.1 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 (AAR) for CY 2022.
- 2.2 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. The application of IPSASs, with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

- 2.3 The gross Receivables account as at December 31, 2023 amounted to P486.963 million with an Allowance for Impairment of P312.083 million, resulting to a carrying amount of P174.879 million. Details are shown in Table 7.

Table 7 – Composition of Receivables account as at December 31, 2023

Sub-Account	Gross Amount	Allowance for Impairment	Carrying Amount
Accounts receivable (AR) - trade	P 471,232,590	P 307,055,247	P 164,177,343
Due from officers and employees	323,373	-	323,373
Other receivables	15,406,622	5,028,101	10,378,521
Total	P 486,962,585	P 312,083,348	P 174,879,237

Non-maintenance of Subsidiary Ledgers (SLs) and unavailability of supporting documents for the recorded receivables aggregating P327.923 million

- 2.4 Audit disclosed that from the total General Ledger (GL) balances of the Receivables account in the gross amount of P486.963 million, only 32.66% or P159.040 million have corresponding SLs as at December 31, 2023. Details are presented in Table 8.

Table 8 – Receivable accounts with supporting SLs

Account Title	Amount
AR-TV Manila (In House)	P 143,309,686
Due from officers and employees	323,373
Other receivables-SSS	7,077,157
Other receivables-RPN 9	8,329,465
Total	P 159,039,681

- 2.5 Verification with the Accounting Section revealed that majority of the unsubstantiated balance of P327.923 million, as shown in Table 9 below existed as early as IBC-13's sequestration in 1986 and the supporting documents relative thereto could no longer be found.

Table 9 – Receivable accounts without supporting SLs

Account Title	Age of Receivables			Total
	Less than 5 years	5 to 9 years	10 years and more	
AR-TV Manila	P -	P -	P 26,091,124	P 26,091,124
AR-TV Manila (In House)	11,658,706	1,617,903	260,638,948	273,915,557
AR-TV -12 Iloilo	-	-	2,439,739	2,439,739
AR-TV-12 Iloilo (In House)	-	1,702,653	1,631,389	3,334,042
AR-TV-13 Davao	-	-	539,110	539,110
AR-TV-13 Davao (In House)	-	-	539,174	539,174
AR-TV-13 Cebu	-	-	193,635	193,635
AR-TV-13 Cebu (In House)	-	133,000	1,138,670	1,271,670
AR-TV-13 Laoag	-	-	107,117	107,117
AR-Radio Manila	-	-	2,183,078	2,183,078
AR-Radio Manila (In House)	-	-	4,750,570	4,750,570
AR-DYBQ Iloilo	-	-	452,482	452,482
AR-DYBQ Iloilo (In House)	-	242,776	3,271,362	3,514,138
AR-DYRG Kalibo	-	-	479,246	479,246
AR-DYRG Kalibo (In House)	-	349,887	660,226	1,010,113
AR-DYJJ Roxas	-	-	73,054	73,054
AR-DYJJ Roxas (In House)	-	164,525	837,694	1,002,219
AR-DYSJ Antique	-	-	58,743	58,743
AR-DZMZ Manila	-	-	4,754,979	4,754,979
AR-Project Banahaw	-	-	(222,782)	(222,782)
AR-DWLW Laoag	-	-	131,200	131,200
AR-DWLW Laoag (In House)	-	-	16,525	16,525
AR-DWDW Dagupan	-	-	36,398	36,398
AR-DWDW Dagupan (In House)	-	-	193,149	193,149
AR-DWNW Naga	-	-	306,924	306,924
AR-DWNW Naga (In House)	-	-	401,510	401,510
AR-DWGW Legaspi	-	-	331,820	331,820
AR-DWGW Legaspi (In House)	-	-	63,993	63,993
AR-DXWG Iligan	-	-	(107,862)	(107,862)
AR-Davao BBC	-	-	62,235	62,235
Total	P 11,658,706	P 4,210,744	P 312,053,450	P 327,922,900

Variance between balance per books and the confirmed balance amounting to P136.071 million

- 2.6 The Audit Team sent 11 Confirmation Letters (CLs) to clients with available complete address per accounting records to verify the accuracy of the receivables recorded in the books. Out of the 11 CLs sent to clients, only one client with a recorded receivable of P136.071 million replied that they have no existing balance owing to IBC-13, thereby, reporting a difference of the same amount.
- 2.7 Further analysis on the reported variance includes airtime claims of the IBC-13 against the Department of Education (DepEd) that was

unrecognized by the latter due to the absence of contract in the amount of P66.429 million, net of taxes. The said money claim was already filed before the Commission on Audit and is currently under review of the Commission Proper. Moreover, the noted variance also consists of an incorrect accounting entry in the amount of P69.643 million due to duplicate journal entry made by the previous accounting personnel assigned in the monitoring of the account. The erroneous entry was already adjusted in the books by the Accounting Section through JEV No. 19827 dated January 31, 2024. Nonetheless, the Receivables account was not fairly stated due to the above-mentioned causes as at December 31, 2023.

Existence of negative balances in the total amount of P17.808 million

- 2.8 Review of the SLs and Aging Schedule of Receivables disclosed the existence of negative balances in the total amount of P17.808 million which were offset against the total balance of the Receivables account instead of reclassifying the same to the appropriate payables account, as summarized in Table 10.

Table 10 – Negative AR balances as at December 31, 2023

Account	Amount
AR-TV Manila (In House)	P (15,520,244)
AR-TV-12 Iloilo (In House)	(627,810)
AR-TV-13 Davao (In House)	(274,153)
AR-TV-13 Cebu (In House)	(194,913)
AR-DYBQ Iloilo (In House)	(477,447)
AR-DYRG Kalibo (In House)	(56,140)
AR-DYJJ Roxas (In House)	(109,253)
AR-Project Banahaw	(222,782)
AR-DXWG Iligan	(107,862)
Other receivables - SSS	(216,976)
Total	P (17,807,580)

- 2.9 Inquiry from the Accounting Section revealed that they are having difficulty in analyzing these negative balances as accounts aggregating to P (15.414 million) or 86.56 per cent of the total negative balances refer to dormant accounts where documents to support such transactions are no longer available. The Finance Director further commented that they will consider the possibility of closing these amounts to the Accumulated Surplus account.

Non-updating of impairment on AR – Trade and Other Receivables accounts as at year-end

- 2.10 Paragraph 67 of IPSAS 29 on the Recognition and Measurement of Financial Instruments states that:

An entity shall assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraph 72 (for financial assets carried at amortized cost), paragraph 75 (for financial assets carried at cost) or paragraph 76 (for available-for-sale financial assets) to determine the amount of any impairment loss. (underscoring ours)

- 2.11 Assessment of the adequacy of the Allowance for Impairment on the Receivable accounts revealed that Allowance for Impairment amounting P307.055 million and P5.028 million on AR – Trade and Other Receivables accounts, respectively, were not updated as at December 31, 2023. Verification of records revealed that the last set-up of Allowance for Impairment on AR – Trade account was in CY 2021 while for Other Receivables account was in CY 2010. Said allowances for impairment could not be ascertained if adequate or appropriate as the Accounting Section could not provide the bases and computations of such.
- 2.12 Setting up of the Allowance for Impairment depends on the Management's assessment that collectability of the concerned receivable is doubtful. At present, there are no existing policies or guidelines on the provision of Allowance for Impairment on the Receivables account of IBC-13 which also caused confusion to the concerned accounting personnel in the computation of the impairment. This matter was already discussed in the previous year's observation; however, Management was still unable to draft a policy regarding the same. Inquiry with the Finance Division disclosed that this will be discussed to the Board of Directors for their appropriate action.

Inclusion of dormant accounts totaling P318.295 million

- 2.13 Inclusion of dormant accounts aged 10 years or more totaling P318.295 million, detailed in Table 11 below, was noted by the Audit Team. Item 8.2 of COA Circular No. 2023-008 dated August 17, 2023 prescribing the Guidelines on the Proper Disposition of Dormant Accounts, states that:

Within one (1) year from the effectivity of the Circular, the Head of Accounting Unit through the HoA shall file with/through the ATL and/or RSA/SA, depending on the jurisdictional amount, a request for the approval of COA to write-off/derecognize from the books the dormant accounts pursuant to the provisions of this Circular. The request shall be supported with the documents listed in Annex 8, provided with index tabs, for easy reference.

Table 11 – Dormant Receivables as at December 31, 2023

Account	Account Balance	Dormant accounts
AR-TV Manila	P 26,091,124	P 26,091,124
AR-TV Manila (In House)	417,225,243	260,638,948
AR-TV -12 Iloilo	2,439,739	2,439,739
AR-TV-12 Iloilo (In House)	3,334,042	1,631,389
AR-TV-13 Davao	539,110	539,110
AR-TV-13 Davao (In House)	539,174	539,174
AR-TV-13 Cebu	193,635	193,635
AR-TV-13 Cebu (In House)	1,271,670	1,138,670
AR-TV-13 Laoag	107,117	107,117
AR-Radio Manila	2,183,079	2,183,079
AR-Radio Manila (In House)	4,750,570	4,750,570
AR-DYBQ Iloilo	452,482	452,482
AR-DYBQ Iloilo (In House)	3,514,138	3,271,326
AR-DYRG Kalibo	479,246	479,246
AR-DYRG Kalibo (In House)	1,010,113	660,226
AR-DYJJ Roxas	73,054	73,054
AR-DYJJ Roxas (In House)	1,002,219	837,694
AR-DYSJ Antique	58,743	58,743
AR-DZMZ Manila	4,754,979	4,754,979
AR-Project Banahaw	(222,782)	(222,782)
AR-DWLW Laoag	131,200	131,200
AR-DWLW Laoag (In House)	16,526	16,526
AR-DWDW Dagupan	36,398	36,398
AR-DWDW Dagupan (In House)	193,149	193,149
AR-DWNW Naga	306,924	306,924
AR-DWNW Naga (In House)	401,510	401,510
AR-DWGW Legaspi	331,820	331,820
AR-DWGW Legaspi (In House)	63,993	63,993
AR-DXWG Iligan	(107,862)	(107,862)
AR-Davao BBC	62,235	62,235
Subtotal	P 471,232,588	P 312,053,416
Other receivables - SSS	7,077,157	6,241,233
Total	P 478,309,745	P 318,294,649

- 2.14 The AR-Trade accounts presented in Table 11 above, totaling P312.053 million representing 64.08 per cent of the total Receivables account already existed since CY 1986 when the Network was sequestered by the government while the Other Receivables-SSS account totaling P6.241 million were aged 10 to 24 years (covering years 1999-2013), to which collectability could no longer be ascertained. While Allowance for Impairment for these accounts were provided, a Request for Authority to Write-off Dormant Accounts was not yet submitted to COA as at year-end.
- 2.15 In view of the above-mentioned audit observations, the propriety, accuracy, and validity of the balance of the Receivables account with a carrying amount of P174.879 million as at December 31, 2023 could not be ascertained.

- 2.16 **We recommended that Management 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.**
- 2.17 The Management commented that the Finance Department made necessary efforts to identify pertinent details of the AR account forwarded as lump sum balances from the IBC-13 books of accounts. After diligent efforts made, a balance with an aggregate of P306.588 million could no longer be supported by invoices, contracts, and Certificates of Performances. All relevant information to make a practical SL was lost during the Philippine Government's sequestration of the IBC-13 in CY 1986.
- 2.18 In this connection, the IBC-13 also cannot identify the debtors from the aforementioned receivables. Thus, collection or filing of legal action would be futile. Furthermore, the causes of the negative balances in the ARs cannot be ascertained whether or not these are errors in encoding, overpayment made by clients, or for any other reasons – as the forwarded balances are copied as they appeared in the previous books of accounts in CY 1986. These entries in the AR account have been presented to be written off to the COA in May 2012.
- 2.19 In June 2021, following a board resolution, another request for authority to write-off was sent to COA. In accordance with COA Circular No. 2016-005 dated December 19, 2016, the Finance Department exhausted efforts to locate and communicate with the debtors listed in the books, but only 19 were identified through their permanent addresses. The identified debtors either denied or did not reply while some already have different sets of

directors who seem to not know about their previous dealings with the IBC-13 as it has been over three decades.

- 2.20 In March 2022, the Finance Department repeated their efforts to collect from the listed debtors but said efforts were ineffectual, producing no results.
- 2.21 Moving forward, the Finance Department has assigned one of its accounting staff to monitor and handle the AR account, to update and maintain its subsidiary accounts, and to set-up the aging of ARs.
- 2.22 Currently, the Finance Department already submitted to the Board of Directors for approval the following computation of allowance for impairment of its AR as follows:
- Less than 90 days – none
 - More than a year – 10%
 - More than 2 years – 20%
 - 3 to 4 years – 25%
 - 5 to 9 years – 50%
 - 10 years and more – 98%
- 2.23 Moreover, Receivables incurred by active and responsive debtors are computed without an allowance for impairment as these can still be collected.
- 2.24 A request to grant the authority to write-off dormant ARs was submitted to COA for approval last May 21, 2024.
- 2.25 A Petition for Money Claim on the receivables from DepEd was filed to COA in May 2023 and a Motion for Early Resolution was filed by the Office of the Government Corporate Council on May 3, 2024.
- 2.26 As a rejoinder, the Audit Team acknowledged the initial effort of the Management to implement the audit recommendations, however the Audit Team would like to clarify that the request for authority to write-off dormant receivables submitted to COA last June 2021 was returned by the Audit Team due to incomplete documentations as required by COA Circular No. 2016-005 dated December 19, 2016. Moreover, the latest request submitted by the Network will be subjected to further review. Also, full compliance with the audit recommendations will be monitored in CY 2024 audit.

- 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 maintained by the Accounting Section and Monthly Cashier's Report prepared by the Treasury Section, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1 and Paragraph 20 of IPSAS 4.

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 (AAR) for CY 2022.

3.2 Paragraph 27 of 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 asset, liabilities, revenues, and expenses set out in IPSASs.

3.3 The Cash and cash equivalents account as at December 31, 2023 amounted to P18.574 million, details are shown in Table 12.

Table 12 – Composition of Cash and Cash Equivalents

Account	Amount
Cash collecting officer	P (5,142,686)
Petty cash fund	78,584
Cash in bank	23,638,548
Total	P 18,574,446

3.4 Audit of the Cash and cash equivalents account disclosed several deficiencies as discussed hereunder:

Variance between bank confirmation and balance per books due to a non-existing bank account with a balance of P8.994 million and non-conversion of US dollar-denominated account to closing rate as at reporting date

3.5 Confirmation made with the three depository banks of the IBC-13 to establish the existence and correctness of the balance of the reported Cash in bank account as at December 31, 2023 disclosed the variance totaling P8.994 million as summarized in Table 13 below.

Table 13 – Balance of Cash per Bank vis-à-vis and per Books

Bank/Account Number	Balance per Books	Balance per Bank	Variance
Bank 1/Account A	P 14,445,778	P 14,445,778	P -

Bank/Account Number	Balance per Books	Balance per Bank	Variance
Bank 1/Account B	173,324	173,324	-
Subtotal	P 14,619,102.49	P 14,619,102.49	-
Bank 2/Account A	P 8,994,413	P -	P 8,994,413
Bank 2/Account B	24,038	28,536*	(4,498)
Subtotal	P 9,018,451	P 28,536	P 8,989,915
Bank 3/Account A	P 994	P 994	P -
Total	P 23,638,547	P 14,648,632	P 8,989,915

*\$513.55 @ P55.5670 reported US dollar exchange rate as at 12/29/2023

- 3.6 Inquiry with the Finance Director revealed that the reported balance per books of IBC-13 with Bank 2 amounting to P8.994 million pertains to a balance carried forward from the time IBC-13 was sequestered by the government. However, necessary adjustments to close the said book balance could not be effected as supporting documents were no longer available.
- 3.7 Moreover, Bank 2 US Dollar account with a reported book balance of P24,038 was confirmed by the bank with a balance of \$513.55. However, it was noted that the said balance was not converted using the closing rate as at the reporting period. Paragraph 20 of IPSAS 4 on the Effects of Changes in Foreign Exchange Rates states that:

At each reporting date:

- (a) foreign currency monetary items should be reported using the closing rate;

Xxx

- 3.8 As shown in Table 13 above, the non-conversion of the US dollar account using the closing rate as at December 31, 2023, resulted to a variance of P4,498. Due to the above-mentioned causes, the accuracy and reliability of the Cash in bank balance totaling P23.639 million could not be ascertained.

Negative balance of Cash collecting officer account amounting to P 5.143 million as at December 31, 2023, mainly due to the unreconciled prior years' balances between the amount of Cash collecting officer account per GL maintained by the Accounting Section and Monthly Cashier's Report (MCR) prepared by the Treasury Section

- 3.9 As can be gleaned in Table 12, the Cash collecting officer account of the Network exhibited a negative balance of P5.143 million.
- 3.10 Per verification, the balance of the Cash collecting officer account per MCR prepared by the Treasury Section as at December 31, 2023, amounted to

zero, as IBC-13 started the full compliance in May 2023 on the previous COA audit observation and recommendation that all cash collections shall immediately be deposited to the Network’s depository bank; in addition, the IBC-13 Management also issued an order that all disbursements were to be made through check issuance. Thus, upon comparison with the Cash collecting officer account per GL maintained by the Accounting Section of P(5.143 million), a discrepancy of P5.143 million was noted. Details are shown in Table 14.

Table 14 – Comparison between the records of Accounting and Treasury Section

Particulars	Treasury Section	Accounting Section	Variance
Beginning balance	P 1,408,695	P (9,650,812)	P 11,059,507
Total cash collections, CY 2023	11,196,407	11,196,407	-
Other debits (bank withdrawals)	3,135,250	3,000,000	135,250
Total cash disbursements, CY 2023	(5,337,466)	(5,002,738)	(334,728)
Deposits of cash collections	(10,402,886)	(10,402,886)	-
Prior period book adjustments	-	5,717,343	(5,717,343)
Total	P -	P (5,142,686)	P 5,142,686

3.11 Further analysis of the account disclosed the following causes of discrepancies shown in Table 15:

Table 15 – Details of discrepancies between the records of Accounting vis-à-vis Treasury Section

Particulars	Amount
Variance in the prior years’ balances	P 11,059,507
Peso value of the converted US dollar that was withdrawn from the safety deposit box maintained in the bank; unrecorded on the books	135,250
Prior years’ transactions that were already recorded as credit to Cash collecting officer account but was only paid in CY 2023	(330,527)
Disbursed payment of voucher that was not recorded on the books	(7,698)
Unpaid voucher that was already recorded as credit to Cash collecting officer account	3,500
Vouchers with difference in released payment	(3)
Prior period book adjustments	(5,717,343)
Total	P 5,142,686

3.12 The Accounting Section has assigned an accounting personnel to properly monitor the Cash collecting officer account and further committed to prepare an adjusting entry in the ensuing year and to trace back the causes of variance in the prior years’ balances to address the above-cited discrepancies.

3.13 In view of the foregoing, 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 established.

- 3.14 **We reiterated our prior years' recommendations that Management direct the Finance Division to require the Accounting Section to 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.**
- 3.15 **We further recommended that Management direct the Finance Division to require the Accounting Section to:**
- a. **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**
 - b. **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 MCR as at December 31, 2023.**
- 3.16 The Management submitted copies of the initial adjustments made by the Finance Department and a copy of the passbook showing that the noted non-existing bank account has in fact zero balance. They further commented that the Finance Department is instructed to strictly follow and comply with all the necessary adjustments to address any discrepancies, as recommended by the Commission.
- 3.17 As a rejoinder, the Audit Team acknowledged the actions taken and the commitment by the Network to address the recommendations. The pertinent submittals of the Management shall be reviewed by the Audit Team.
- 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 International Public Sector Accounting Standard 1.**
- 4.1 This is a reiteration with updates of the prior year's audit observation, as Management was not able to fully implement the recommendations.
- 4.2 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 asset, liabilities, revenues, and expenses set out in IPSASs.*

- 4.3 Likewise, Annex C of COA Circular No. 2020-002 dated January 28, 2020, entitled Adoption of the Updated Revised Chart of Accounts (RCA) for Government Corporations (2019) describes the Withholding Tax at Source account as an account that is debited to recognize the amount of creditable withholding tax deducted by an entity, which is designated by the Bureau of Internal Revenue (BIR) as authorized agent, from rental, interest income from loan, service fees on deposit of notes, supervisory and other bank fees, income from payments and settlements transactions or other services to be credited by BIR upon receipt from the entity of proof of remittance to the BIR together with BIR Form No. 2307. While the account is credited upon application of the excess previous tax payments against income taxes payable to the BIR, and/or adjustments.
- 4.4 Additionally, Section 2.58.3 of BIR Revenue Regulation No. 02-98 dated April 17, 1998 provides:
- (A) The amount of creditable tax withheld shall be allowed as a tax credit against the income tax liability of the payee in the quarter of the taxable year in which income was earned or received.*
- (B) Claims for tax credit or refund of any creditable income tax which was deducted and withheld on income payments shall be given due course only when it is shown that the income payment has been declared as part of the gross income and the fact of withholding is established by a copy of the withholding tax statement duly issued by the payor to the payee showing the amount paid and the amount of tax withheld therefrom. Proof of remittance is the responsibility of the withholding agent. (underscoring ours)*
- (C) Excess Credit – An individual or corporate taxpayer's excess expanded withholding tax credits for the taxable quarter/year shall automatically be allowed as a credit against his income tax due for the taxable quarters/years immediately succeeding the taxable quarters/years in which the excess credit arose, provided he submits with his income tax return, a copy of the first page of his income tax return for the previous taxable period showing the amount of his excess withholding tax credits, and on which return has not opted for a cash refund or tax credit certificate. Xxx*
- 4.5 Expanded Withholding Taxes (EWT) is a Creditable Withholding Taxes (CWT) that can be regarded as an advance income tax payment as it is creditable against the tax due for the taxable quarter or year in which the particular income was earned. It is also an asset that can be recognized as Prepayments under the Withholding Tax at Source account.
- 4.6 The obligation to issue duly accomplished Certificate of Creditable Tax Withheld at Source or BIR Form No. 2307, as proof of withholding, rests

with the payor, also known as the withholding tax agent. The certificates must be furnished to the payee within 20 days following the close of the taxable quarter in which the income was earned or received, or simultaneously with the payment upon request of the payee.

- 4.7 The Audit Team obtained the Cash Receipts Book and GL for CY 2023 and all BIR Form No. 2307 on file to determine if the recorded balance in the books is correct and properly supported with the required certificates. Verification of records showed that the Withholding Tax at Source account amounting to P18.034 million as at December 31, 2023 was not completely supported with BIR Form No. 2307. It was noted that only 1.40 per cent or P252,500 out of the P18.034 million was supported with BIR Form No. 2307.
- 4.8 For CY 2023, CWT at Source account showed a balance of P378,500, of which P41,437 were applied against income taxes due, thereby leaving a balance of P337,063 for CY 2023. Details are shown in Table 16.

Table 16 – Details of the Balance of Withholding Tax at Source account as at December 31, 2023

Particulars	Amount	Applied as Tax credit in CY 2023	Balance as at December 31, 2023
CWT as at Dec. 31, 2022	P 19,783,337	P 2,086,599	P 17,696,738
CWT CY 2023	378,500.00	41,437	337,063
Total	P 20,161,837	P 2,128,036	P 18,033,801

- 4.9 Records showed that from the P337,063 remaining CWT in CY 2023, P252,500 were duly supported with BIR Form No. 2307 while the remaining P84,563 had no supporting BIR Form No. 2307. Furthermore, the P17.697 million CWT balance as at December 31, 2022 also had no supporting BIR Form No. 2307. The creditable taxes withheld by IBC-13 clients without BIR Form No. 2307 as at December 31, 2023 aggregated to P17.781 million as shown in Table 17:

Table 17 – Creditable Taxes Withheld by the IBC-13 clients as at December 31, 2023

Particulars	With supporting BIR Form 2307	Without supporting BIR Form 2307	Total
CWT balance as at December 31, 2022	P 2,086,599	P 17,696,738	P 19,783,337
CWT CY 2023	293,938	84,562	378,500
Total	P 2,380,537	P 17,781,300	P 20,161,837

- 4.10 Interview with the concerned personnel of Accounting Section revealed that copies of BIR Form No. 2307 submitted to the Audit Team are the only documents available on their file. It has been the customary practice at IBC-13 to recognize the CWT at source based on the Official Receipts issued by the Network to the clients regardless of the presence of BIR Form No. 2307. They further explained that the amount without supporting documents was the forwarded balance from previous years.

- 4.11 Since BIR requires that claims for tax credit or refund of any creditable income tax shall be given due course only when the fact of withholding is established by a copy of the withholding tax certificate, absence of BIR Form No. 2307 casts doubt on the reliability, validity and accuracy of the balance of the Tax Withheld at Source account as at December 31, 2023.
- 4.12 **We recommended that Management 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 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.**
- 4.13 Management commented that the Network has exerted efforts to follow up on various agencies and companies to retrieve the original issued Certificates for CWT at source to substantiate the company's claims for creditable taxes. Similarly, the amounts reported to the BIR are accurate and came from validly completed transactions.
- 4.14 Per Management's inquiry with tax examiners from the BIR, adjustments will not be carried over each succeeding year because taxes withheld at source apply only to the period of the transaction when it occurred, unlike other tax assets (payments) to the BIR. Further, the IBC-13 representative from the Finance Department also coordinated with the Public Assistance and Concern Department (PACD) to confirm if the balance of Tax Withheld at Source account, particularly those from prior years, could still be revalidated and be used as a tax credit. PACD confirmed that taxes withheld at source are only valid for the quarterly period from which it was issued and could be applied and carried at most at the closing of the taxable year.
- 4.15 BIR tax examiners added that when income taxes were lowered for the duration of the Corporate Recovery and Tax Incentives for Enterprises Law, IBC-13 should have advised the withholding agents to deduct one per cent of payments instead of the normal two per cent rate when the minimum corporate income tax was one per cent of gross sales. Unused CWT shall remain as assets only at the taxable year it was withheld.
- 4.16 As such, IBC-13 was advised to seek legal opinion at the BIR Regional Office – Legal Department through the Revenue District Officer. The letter

would hopefully clarify revenue regulation and prescription on CWT for proper balances of Tax Assets to appear on IBC-13's financial statements. To date, the Regional Legal Department has yet to send its reply.

- 4.17 Moving forward, IBC-13 shall ensure that copies of BIR Form No. 2307 will be secured for all the collections of the Network as recommended by the Commission.
- 4.18 As a rejoinder, the Audit Team acknowledged the actions taken and the commitment by the Network to address the recommendations, however, their full compliance with the audit recommendations will be monitored in CY 2024 audit.

- 5. **The balance of the Sales Revenue account in the amount of P32.149 million for the year ended December 31, 2023 is overstated by P442,869 in view of: (a) recognition of unaired airtime revenue in the amount of P472,869; and (b) erroneous recording of a billing invoice resulting to a variance in the amount of P30,000. Further resulting to understatement of the related Receivables account by P30,000, which are not in accordance with paragraph 27 of the International Public Sector Accounting Standard (IPSAS) 1 and paragraph 19 of IPSAS 9. Moreover, the concerned accountable officer from the Sales and Marketing Division failed to prepare the monthly Report of Accountability for Accountable Forms relative to Broadcast Contracts (BCs) contrary to Section 17.k, Chapter 8 of the Government Accounting Manual Volume 1. Thus, improper accounting and/or monitoring of said accountable forms exposes the Network to the possible risk of misuse or loss of the BCs.**

- 5.1 Paragraph 27 of 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 asset, liabilities, revenues, and expenses set out in IPSASs.

- 5.2 Further, paragraph 19 of IPSAS 9 reads as follows:

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) *The amount of revenue can be measured reliably;*
- (b) *It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;*

(c) *The stage of completion of the transaction at the reporting date can be measured reliably; and*

(d) *The costs incurred for the transaction and the costs to complete the transaction can be measured reliably. (underscoring ours)*

- 5.3 IBC-13 offers various services to its clients such as provision of airtime or blocktime, commercial or advertising spots, segment feature within programs, and social media advertising, among others, to both government and private institutions from which sales revenue is generated. For CY 2023, the reported Sales Revenue of IBC-13 amounted to P32.149 million.
- 5.4 Post-audit of the reported Sales Revenue of IBC-13 for CY 2023 which included review and inspection of the relevant BCs, Certificates of Performance (CPs) and Billing Invoices (BIs) disclosed that unaired airtime in the total amount of P472,869 as at December 31, 2023 were already recognized and recorded in the books. Details are shown in Table 18.

Table 18 – Unaired airtime recognized as Sales Revenue for CY 2023

Client / Program	BC No./ Date	CP No./ Telecast Coverage	BI No./ Date	Airtime cost per hour	Actual hours aired	Should be Revenue based on service rendered	Recognized Sales Revenue	Variance Under/(Over)
Client A / Program 1	BC 3443 03/09/2023	CP 293607 to 293613 April 2023	17145 05/23/2023	P 20,000.00	88.50	P 1,770,000.00	P 1,790,000.00	P (20,000.00)
Client B / Program 2	BC 3470 10/24/2023	CP 293664 November 2023	17182 10/25/2023	P 69,672.13	39.00	2,717,213.07	2,786,885.28	(69,672.21)
Client B / Program 2	BC 3470 10/24/2023	CP 293665 December 2023	17191 11/23/2023	P 69,672.13	41.00	2,856,557.33	3,239,754.14	(383,196.81)
Total						P 7,343,770.40	P 7,816,639.42	P(472,869.02)

- 5.5 CPs are prepared and issued by the Traffic Division to certify that the services were already rendered or completed. Upon receipt of a copy of the CP, the Billing Section prepares a BI to facilitate the recording of the sales revenue in the books and the collection of receivables from clients.
- 5.6 Verification on the relevant CPs related to BC No. 3443 revealed a variance amounting to P20,000 that refers to one-hour unaired episode. Per inquiry with the concerned billing personnel, the said episode was not aired due to the Network's software hang-up and was subject for re-airing. Further inquiry by the Audit Team revealed that the Sales and Marketing Division (SMD) sent multiple electronic mails to the client concerned to ascertain the appropriate course of action to undertake, if the episode will be re-aired or to refund the excess payment, however, no response was received. Thus, as at December 31, 2023, the said episode was not yet aired and not adjusted in the books.

- 5.7 As for BC No. 3470, IBC-13 implements the 'pay before broadcast' terms, wherein the Billing Section issues BI before the scheduled telecast dates stipulated on the contract. Additional adjustments due to overtime telecasts and deductions due to non-airing of the program on the scheduled broadcast date were to be reflected on the next billing date. However, post-audit revealed that adjustments to reflect the actual airtime rendered by the Network, as indicated on the CPs were not effected on the books as at year-end.
- 5.8 In addition to the above-noted deficiencies, erroneous recording of BI No. 17176 dated September 30, 2023 was noted by the Audit Team. The billed amount indicated on the invoice was P255,000 but the recorded amount in the books was only P225,000, thereby resulting to the understatement of Sales Revenue and the related Receivables account for CY 2023 in the amount of P30,000.
- 5.9 The recognition of unaired airtime revenue that remained unadjusted in the books as at December 31, 2023 in the amount of P472,869 and erroneous recording of revenue causing a variance of P30,000 resulted in the overstatement of the reported Sales Revenue account of IBC-13 for CY 2023 in the net amount of P442,869.
- 5.10 **We recommended that Management instruct the Finance Division to:**
- a. **Prepare the necessary adjusting entries for the noted deficiencies; and**
 - b. **Moving forward, ensure the proper recognition of Sales Revenue in the correct accounting period, particularly on BCs that has 'pay before broadcast' terms by reconciling the recorded balance in the books against the actual services rendered or completed based on the CPs.**
- 5.11 **We further recommended that Management direct the SMD to prepare and submit monthly Report of Accountability for Accountable Forms relative to BCs for ease of control and monitoring in accordance with Section 17.k, Chapter 8 of the GAM Volume I.**
- 5.12 The Management commented that the BI No. 17182 reflecting Client B's billing for the month of November 2023 has 'pay before broadcast' terms of payment. As such, the billing was made on October 25, 2023 prior to its airing based on the attached schedule of airing and breakdown of payment. The total amount billed was P2,786,885.28.
- 5.13 On November 7, 2023, SMD received a letter of cancellation for November 10, 2023 airing and this was adjusted on the next billing for the month of December 2024 with BI No. 17191 showing a deduction of the November 10 cancelled airtime amounting to P278,688.53 at a rate of P69,672.132 per hour, for four hours.

- 5.14 Likewise, BI No. 17191 for the month of December 2023 was billed on November 2023 with a total airtime of 48 hours, as per attached schedule of airing. On December 28, 2023, the Programming Department received a letter from Client B informing them of their season break on the following dates: December 26 and 28, 2023, and January 2, 4, and 6, 2024. These dates were adjusted on the month of February billing showing five days deduction with a total of 20 hours at an equivalent amount of P1.393 million. Thus, December billing would account to a total of 42.5 hours.
- 5.15 Moreover, the CP showed the actual schedule of airing with a total of ten days at four hours per day, totaling 40 hours, and an overtime of two hours and 30 minutes. Note that per BC, 15 minutes overtime is equivalent to 30 minutes; and 35 minutes overtime is equivalent to one hour, which would sum up to 42.5 hours.
- 5.16 Accordingly, the Finance Department made the necessary adjustments on Sales Revenue and Accounts Receivable account as per JEV No. 19906 dated April 30, 2024.
- 5.17 Moving forward, IBC-13 Management, particularly the Finance Department shall process financial concerns in accordance with the Commission's recommendation to strictly abide by the IPSAS.
- 5.18 Moreover, the SMD commented that they were just made aware on the preparation and submission of the monthly RAAF for BCs and committed to prepare and submit the monthly report for ease of control and monitoring per Section 17.5, Chapter 8 of GAM Volume I.
- 5.19 As a rejoinder, the Audit Team acknowledged the commitment by the Network to address the recommendations. The pertinent voucher containing the adjustment shall be reviewed by the Audit Team and their full compliance with the audit recommendations will be monitored in CY 2024 audit.

6. The faithful representation of the balances of various Liability accounts as at December 31, 2023 totaling P4.505 million could not be established due: (a) negative balances in the total amount of P2.415 million and (b) absence of Subsidiary Ledgers for all liability accounts and inadequate documentations to support the said balances, not in accordance with Paragraph 27 of International Public Sector Accounting Standard 1.

- 6.1 This is a reiteration with updates of the previous year's audit observation, as management was unable to implement the recommendation.
- 6.2 Paragraph 27 of the 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 asset, liabilities, revenues, and expenses set out in IPSASs.

- 6.3 Also, Annex C of the Updated RCA for Government Corporations under COA Circular No. 2020-002 dated January 28, 2020 provided the description of accounts with its normal balances. Sound accounting practice also dictates that the normal balance of asset and expense accounts should be debit, and the liabilities, equity and income accounts should be credit.
- 6.4 Likewise, Item B of Section 12, Volume I of GAM identified the GLs and SLs as one of the books of accounts and registries that must be maintained by a government entity. Further, good internal control practice requires SLs to better monitor the individual transactions of a particular controlling GL account.
- 6.5 Review of the GLs of the liability accounts of IBC-13 revealed that various accounts have negative balances aggregating (P2.415 million) as at year-end. In addition, the account Due to Social Security System (SSS) - Salary Loan with a year-end balance of P2.090 million was not supported with SLs nor with supporting documents to facilitate review and monitoring of the transactions related thereto. The detailed breakdown is provided in Table 19.

Table 19 – Liability accounts with Negative Balances and without SLs

Account Title	Amount
Other unearned revenue/income	P (1,886,368)
Withholding tax on compensation	(299,707)
Due to Philhealth	(85,764)
Due to Pag-IBIG	(81,185)
EWT	(59,796)
Other payables	(2,642)
Sub-total	(2,415,462)
Due to SSS – salary loan	2,089,787
Total	P 4,505,249

- 6.6 Listed below are the comments gathered from the Accounting Division relative to the above observation, to wit:
- For Other unearned revenue/income account, the negative balance arose from unreconciled advance payments by Client X to the Network’s various utility bills and lease of satellite services paid by the said client in exchange for airtime.
 - For the Withholding Tax on Compensation account, the negative balance was due to the amount remitted in January 2023 that did not reconcile with the recorded book balance for remittance. However, further verification is hindered due to the lack of supporting documents. To date, reconciliation is on-going.

- For the EWT account, taxes were withheld from IBC-13 talents and other entities amounting to P23,283, the negative balance resulted from remittances made to BIR in CY 2023 wherein the corresponding Cash Vouchers (CVs) were cancelled as shown in Table 20. While, the remaining balance amounting to P36,512 was from prior years.

Table 20 – List of EWT remitted to the BIR originating from cancelled CVs

JEV No.	Particulars	Amount	Reason for cancellation
19715	Refund of disallowance on cash gift 2022 as per AOM CV#430368 and 430369	P 15,042	Disallowed cash gift
19743	To reverse entry made on CV# 430186 re: two pcs. GE 6AUG tube tow 2 pcs RCA 6AQ5 two 2 pcs 12AU7 tube electron as per PO 8279 and RPT 12741	134	Canceled transaction
19773	To reverse entry made on CV#431216 re: TV Audience measurement data and viewing analysis for DepED TV Oct. 2020 to Sept. 2021 vs Oct 2019 to Sept. 2020	8,000.00	No payment made
19798	Adjustment made on Cancelled CV Nos. 29397, 429912, 29511	107	Canceled transaction
Total		P 23,283	

- For the Due to Pag-IBIG and PhilHealth accounts, these resulted from prior years' transactions that were carried forward to the current year.
 - For Other Payables account, this includes dues and loans payable to the Network's Employees Union and Broadcast Workers' Cooperative. The negative balance was brought about by over-remittance in March 2023 amounting to P2,642.
 - For the Due to SSS-Salary Loan account, this represents outstanding balance that remained unremitted to SSS. However, further audit could not be performed due to lack of supporting documents.
 - Schedules were prepared based on the entries made in the GL and no SLs were maintained for the various liability accounts.
- 6.7 The AS also explained that despite their diligent efforts to address the negative balances, the Payroll Section could not rectify the same on the ground of loss of pertinent documents due to typhoon "Ondoy" in CY 2009 and limited personnel of the Network.
- 6.8 In view of the foregoing, the faithful representation of the balances of the aforementioned liability accounts as at year-end could not be established, not in accordance with Paragraph 27 of IPSAS 1.

- 6.9 **We reiterated our prior year's recommendations that Management instruct the AS to:**
- a. **Exert all efforts to locate the relevant documents, conduct a thorough analysis of prior years' transactions that lead to negative balances of the various liability accounts and prepare the necessary adjusting entries;**
 - b. **Make representation with Pag-IBIG and PhilHealth to reconcile the negative balances of the pertinent liability accounts;**
 - c. **Fast track the preparation of SLs for proper monitoring of the various liability accounts; and**
 - d. **Reconcile with the Payroll Section on the recorded year-end unremitted balance of the Due to SSS - Salary Loan account and make the necessary adjustment(s), if warranted.**
- 6.10 The Management commented that the Accounting and Payroll Section has begun the reconciliation, exerted effort to analyze the prior year transactions of various liability accounts with negative balances and committed to effect the necessary adjusting entries.
- 6.11 The Finance Department was also instructed to prepare SLs for the various liability accounts for proper monitoring.
- 6.12 Moreover, the Finance Department committed to coordinate with the Human Resource Department to verify the account of IBC-13 with the SSS, Pag-IBIG, and PhilHealth.
- 6.13 As a rejoinder, the Audit Team acknowledged the actions taken and the commitment by the Network to address the recommendations, however, their full compliance with the audit recommendations will be monitored in CY 2024 audit.

B. NON-FINANCIAL

7. **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 of Republic Act 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.**
- 7.1 This is a reiteration of prior year's observation as Management was not able to implement the audit recommendation.

7.2 The 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 details the guidelines and documentary requirements for Shopping and Small Value Procurement (SVP) as follows:

7.3 Sections 52.1(b) and 53.9 of Rule XVI defines Shopping and SVP as:

52.1 Shopping is a method of procurement of Goods whereby the Procuring Entity simply requests for the submission of price quotations for readily available off-the-shelf goods or ordinary/regular equipment to be procured directly from suppliers of known qualifications. This method of procurement shall be employed in any of the following cases:

Xxx

Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding the thresholds prescribed in Annex "H" of this IRR.

53.9 Small Value Procurement. Procurement of Goods, Infrastructure Projects and Consulting Services, where the amount involved does not exceed the threshold prescribed in Annex "H" of this IRR: Provided, that in case of Goods, the procurement does not fall under shopping in Section 52 of this IRR.

7.4 Item Nos. C.2(b) and D.8(b) of Annex H of the 2016 RIRR of RA No. 9184 provides procedures to be observed as well as the required documents on Shopping and SVP.

C. Shopping

2. Procedure

b) Shopping under Section 52.1(b)

i. The End-User unit or the duly authorized official or personnel shall submit a purchase request to the BAC relative to the goods to be procured through Shopping.

ii. The BAC shall prepare the RFQ, indicating the specifications, quantity, ABC, and other terms and conditions of the contract.

iii. Except for those with ABCs equal to Fifty Thousand Pesos (₱50,000.00) and below, RFQs shall be posted for a period of at least three (3) calendar days

in the PhilGEPS website, website of the Procuring Entity, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity.

- iv. The BAC shall send the RFQs to at least three (3) suppliers of known qualifications, and at least three (3) price quotations must be obtained. This, notwithstanding, those who responded through any of the required postings shall be allowed to participate.*
 - v. The deadline for submission may be extended thrice, if none or less than the required number of quotations are received. For ABCs more than Fifty Thousand Pesos (₱50,000.00), extensions of deadline shall likewise be posted for a period of three (3) calendar days in the PhilGEPS, the website of the Procuring Entity, if any, and at any conspicuous place in the Procuring Entity's premises. In case no supplier responded after the third extension, the BAC shall conduct a mandatory review in accordance with Section IV(K) of this Guidelines.*
 - vi. Upon receipt of at least three (3) quotations within the prescribed deadline, the BAC shall prepare an Abstract of Quotations setting forth the names of those who responded to the RFQ, their corresponding price quotations, and the lowest calculated quotation submitted.*
 - vii. The BAC shall validate the technical, legal and financial capability of the supplier to supply and deliver the goods.*
 - viii. Upon confirmation and ascertainment of such capability, the BAC shall recommend to the HOPE the award of contract in favor of the supplier with the Lowest Calculated and Responsive Quotation. In case of approval, the HOPE shall immediately enter into a contract with the said supplier.*
- 8. Small Value Procurement (SVP)*
- b) Procedure*
 - i. The End-User shall submit a request for SVP to the BAC, which indicates the technical specifications, scope of work, terms of reference, ABC and other terms and conditions.*

- ii. *The BAC shall prepare and send the RFQs/RFPs to at least three (3) suppliers, contractors or consultants of known qualifications. This, notwithstanding, those who responded through any of the required postings shall be allowed to participate. Receipt of at least one (1) quotation is sufficient to proceed with the evaluation thereof.*
- iii. *Except for those with ABCs equal to Fifty Thousand Pesos (₱ 50,000.00) and below, RFQs shall be posted for a period of three (3) calendar days in the PhilGEPS website, website of the Procuring Entity, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity.*
- iv. *Pre-bid conference may be conducted at the discretion of the BAC, in order to clarify and/or explain any of the requirements, terms, conditions, and specifications stipulated in the RFQ/RFP.*
- v. *After the deadline for submission of quotations/proposals, an Abstract of Quotations/Ratings shall be prepared setting forth the names of those who responded to the RFQ/RFP, their corresponding price quotations/ratings.*
- vi. *The BAC shall recommend to the HOPE the award of contract in favor of the supplier or contractor with the Single or Lowest Calculated and Responsive Quotation (for goods or infrastructure projects), or consultant with the Single or Highest Rated and Responsive Proposal (for consulting services). In case of approval, the HOPE shall immediately enter into contract with the said supplier, contractor or consultant.*

7.5 Appendix A of Annex H of the 2016 RIRR of RA No. 9184 prescribes the documents that the Bids and Awards Committee (BAC) shall require from suppliers, contractors and consultants as presented in Table 21.

Table 21 – Documentary Requirements for Shopping and SVP

<i>Alternative Modality</i>	<i>Mayor's/ Business Permit</i>	<i>Professional License/ Curriculum Vitae (Consulting Services)</i>	<i>PhilGEPS Reg. Number</i>	<i>PCAB License (Infra.)</i>	<i>NFCC (Infra.)</i>	<i>Income/ Business Tax Return</i>	<i>Omnibus Sworn Statement</i>
<i>II. Shopping [Section 52.1(b)]</i>	✓		✓				
<i>F. Small Value Procurement (Section 53.9)</i>	✓	✓	✓	✓		✓ <i>For ABCs above P500K</i>	✓ <i>For ABCs above P50K</i>

- 7.6 The Audit Team obtained the Annual Procurement Program (APP), Purchase Orders (POs)/Contracts and the Monthly Disbursement Reports to determine the programmed and completed procurements for CY 2023. Based on the said documents, there were 25 completed procurements in CY 2023 through Shopping and SVP amounting to P0.620 million and P2.788 million, respectively, and all were examined accordingly.
- 7.7 Audit showed that procurement of goods and services through Shopping lacks documentary requirements such as Mayor's/Business Permit, PhilGEPS Registration, and BAC Resolution. While procurements through SVP were not supported with the necessary documents such as Mayor's/Business Permit, PhilGEPS Registration, Income Tax Return and Omnibus Sworn Statement. Further, the procedures governing both Shopping and SVP were not supported with Proof of Posting of Invitation, BAC Resolutions recommending and justifying to the Head of Procuring Entity the use of alternative mode of procurement and Recommending the award of contract, Proof of Posting of the Notices of Award in the PhilGEPS website or website of the procuring entity, and other legal documents. Details on the results of audit are shown in Annexes A and B.
- 7.8 Inquiry made with the concerned accounting personnel disclosed that only POs, Request to Purchase and Price Quotations together with the abstract were attached to the CVs as these were the only documents forwarded by the Purchasing and/or Administrative Department.
- 7.9 Accordingly, the Audit Team verbally notified the Purchasing Section relative to the submission of the required documents in connection with the procurements through Shopping and SVP. On March 12, 2024, the Purchasing Office submitted sets of POs with supporting documents, however, upon review of the Audit Team, the documentary requirements needed were still not fully complied with.
- 7.10 Non-submission of the necessary supporting documents is contrary to Item Nos. C.2(b) and D.8(b) and Appendix A of Annex H of the 2016 RIRR of the RA No. 9184. Thus, propriety of the said procurements through Shopping and SVP could not be established.
- 7.11 In addition, Section 3.1.2 of COA Circular No. 2009-001 dated February 12, 2009 provides:
- The copies of documents required to be submitted shall include but not limited to the following:*
- Xxx
- t. Certificate of Availability of Funds; Obligation Request;*
- Xxx
- 7.12 Audit disclosed that POs relative to the procurements made by the Network through shopping and SVP amounting to P3.408 million for CY 2023 were

not supported by the required Certificate of Availability of Funds. Details are also shown in Annexes A and B.

7.13 Inquiry from the concerned personnel of the BAC – Technical Working Group revealed that in the preparation of the POs, Evaluation Form was prepared and in portion A No. 3 of the said form, the Head of the End-User will check if the said PO is covered by a budget or not, however, there are times that the said portion was not marked. Hence, the subject POs were not supported by the required Certificate of Availability of Funds contrary to Section 3.1.2 of COA Circular No. 2009-001 dated February 12, 2009.

7.14 **In view of the foregoing, we recommended that Management:**

- a. **Require the BAC, 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.**

7.15 The Management has submitted documentations in compliance with the recommendation related to the lacking documents noted for the procurements through Shopping and SVP. Further, during the exit conference, the Finance Director committed to submit signed Certificates of Availability of Funds for the procurements covered in CY 2023.

7.16 As a rejoinder, the Audit Team acknowledged the initial effort of the Management to implement the audit recommendations, however, the documents submitted to the Audit Team will be subjected for further review.

8. Inadequate documentation to support the payments on Security Services and Per diem for Board and Committee Meetings covering the period January 1 to December 31, 2023 with an aggregate amount of P3.383 million and P0.929 million, respectively, contrary to Sections 9.1.3.2 and 5.7.3 of COA Circular No. 2012-001 dated June 14, 2012, thereby casting doubt on the propriety of the transactions involved.

8.1 Sections 9.1.3.2 and 5.7.3 of COA Circular No. 2012-001 dated June 14, 2012 which prescribes the updated documentary requirements for common government transactions reads as follows:

9.1.3.2 General Support Services (janitorial, security maintenance, garbage collection and disposal and similar services). Xxx

- Accomplishment Report*
- Request for payment*
- Contractor's Bill*
- Certificate of Acceptance*
- Record of Attendance/Service*
- Proof of remittance to concerned government agencies and/or GOCC [BIR/Social Security System (SSS)/ECC/Pag-ibig/PhilHealth]*

Xxx

5.7.3 Governing Boards of Collegial Bodies

- Appointment/designation as member of the Board*
- Certification that the claimant is not an appointee to a regular position in the governing board of collegial body who receives salaries, regular allowances and other benefits.*
- Minutes of Meeting and Attendance Sheet as certified by the Board Secretary*

8.2 Review of the CVs relative to Security Services and Per diem for Board and Committee Meetings covering the period of January 1 to December 31, 2023 in the aggregate amount of P3.383 million and P0.929 million, respectively, as shown in Annexes C and D, revealed the following attachments, to wit:

Security Services:

- a) Official Receipts (ORs);
- b) Statements of Account;
- c) Original Daily Time Records (DTRs); and
- d) Summary of DTRs

Per diem for Board and Committee Meetings:

- a) Notice of Regular Meetings of the Board of Directors
- b) List of Attendees; and
- c) Secretary Certificate

8.3 After considering the requirements of the above-cited COA Circular, absence of the following documents was noted on the payments made for security services and Per diem for Board and Committee Meetings, as shown in Table 22.

Table 22- List of lacking documents to support payments for Security Services and Per diem for Board and Committee Meetings

Security Services	Per diem for Board and Committee Meetings
1. Accomplishment Report;	1. Appointment/designation as member of the Board;

Security Services	Per diem for Board and Committee Meetings
2. Request for Payment;	2. Certification that the claimant is not an appointee to a regular position in the governing board of collegial body who receives salaries, regular allowances and other benefits;
3. Certificate of Acceptance; and	
4. Proof of remittance to the concerned government agencies (BIR/Social Security System (SSS)/ECC/Pag-IBIG/PhilHealth)	3. Minutes of Meeting; and 4. Certification issued by the Chief Accountant that the amounts received by the recipient/s do not exceed the limit pursuant to DBM BC No. 2007-001 dated April 23, 2007 and any future amendments thereof.

8.4 The audit team notified the concerned personnel of the Finance Division on the lacking documents in relation to the payments made to Security Services and Per diem for Board and Committee Meetings. The Finance Division committed that they will observe and strictly comply with the submission of the required documents.

8.5 The non-attachment of the required documentations constitutes non-compliance on the above-cited provisions of COA Circular No. 2012-001 dated June 14, 2012, thereby, casting doubt on the propriety of the transactions involved.

8.6 **We recommended that Management direct the Finance Division to submit the noted lacking documentary requirements and strictly comply with COA Circular No. 2012-001 dated June 14, 2012 particularly on the disbursements relative to Security Services and Directors & Committee Members Per Diem, moving forward.**

8.7 The Management has submitted documentations in compliance with the recommendation.

8.8 As a rejoinder, the Audit Team acknowledged the initial effort of the Management to implement the audit recommendations, however, the documents submitted to the Audit Team will be subjected for further review.

9. **Post-audit on the grant and liquidation of cash advances of IBC-13 for CY 2023 disclosed the following deficiencies: (a) cash advances granted totaling P1.868 million were inadequately supported with the required documentations; (b) the validity of expenses totaling P59,151 could not be ascertained due to the lack of receipts or approved Certificate of Expenses not Requiring Receipts/Reimbursement Expense Receipts; and (c) liquidation of cash advances relative to local travels were inadequately supported with the required documentations, contrary to Sections 1.1, 1.1.4.1, 1.2.2 and 1.2.4.1 of COA Circular No. 2012-001 dated June 14, 2012, Further, Daily Travel Expenses (DTE) claimed for hotel/lodging exceeded the allowed amount by P6,325, contrary to the allowable DTE rate prescribed by Executive Order No. 77 dated March 15, 2019.**

Cash advances granted for Calendar Year 2023 totaling P1.868 million were inadequately supported with the required documentations, contrary to Sections 1.1 and 1.1.4.1 of COA Circular No. 2012-001 dated June 14, 2012

- 9.1 This is a reiteration of last year's audit observation with updates.
- 9.2 Section 1.1 of COA Circular No. 2012-001 dated June 14, 2012 Prescribing the Revised Guidelines and Documentary Requirements for Common Government Transactions set forth the documentary requirements that are common to all cash advances except for travels, enumerated as follows:
- *Authority of the accountable officer issued by the Head of the Agency or his duly authorized representative indicating the maximum accountability and purpose of cash advance (for initial cash advance);*
 - *Certification from the Accountant that previous cash advances have been fully 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*
- 9.3 Further, Section 1.1.4.1 of the same COA Circular provides the additional documentary requirements on cash advances for Local Travel, which shall include:
- *Office Order/Travel Order approved in accordance with Section 3 of EO No. 298 (amended by EO No. 77 dated March 15, 2019);*
 - *Duly approved itinerary of travel;*
- 9.4 For CY 2023, IBC-13 granted a total of 214 cash advances amounting to P2.452 million. Post-audit disclosed that only 19 cash advances totaling P0.584 million have complete documentations. The remaining 195 cash advances totaling P1.868 million have no attached Authority from the Head of Agency nor his authorized representative indicating the maximum accountability and purpose of the cash advance. Details are presented on Table 23.

Table 23 – Cash advances with no approved Authority

Nature of CA	Quantity	Amount
Special Purpose	191	P1,824,948
Travelling Expenses	4	43,000
Total	195	P1,867,948

- 9.5 Moreover, cash advances granted for local travel totaling P45,780 lacked the duly approved Itinerary of Travel, details are shown on Table 24.

Table 24 – Cash advances without the required Itinerary of Travel

Date	Ref. No.	Destination	Amount
08/23/2023	430655	Laoag City	P 8,000
10/16/2023	431030	Puerto Princesa	22,780
11/10/2023	431173	Tagaytay	5,000
11/15/2023	431204	Tagaytay	10,000
Total			P 45,780

- 9.6 The absence of the required documentations constitutes non-compliance on the above-cited provisions of COA Circular No. 2012-001 dated June 14, 2012.

The validity of expenses totaling P59,151 could not be ascertained due to the lack of receipts or approved Certificate of Expenses not Requiring Receipts (CERR)/ Reimbursement Expense Receipts (RER) contrary to Section 1.2.2 of COA Circular No. 2012-001 dated June 14, 2012

- 9.7 Section 1.2.2 of COA Circular No. 2012-001 dated June 14, 2012 requires the attachment of bills/receipts/sales invoices or in the absence thereof, a CERR (for expenses amounting to P300 or less) or RER (for expenses amounting to more than P300 but not exceeding P1,000).
- 9.8 Review and verification of liquidation vouchers for CY 2023 disclosed the lack of bills/receipts/sales invoices or approved CERR/RER for expenses totaling P59,151, as detailed on Table 25.

Table 25 – Expenses not supported with receipts or approved CERR/RER

Particulars	Amount
Legal expenses (arbitration and docket fees)	P 49,377
Various purchases and transportation expenses	8,170
Representation expenses (tip)	1,604
Total	P 59,151

- 9.9 The absence of bills/receipts/sales invoices or approved CERR/RER raises uncertainty on the validity of the expenses incurred.

Liquidation of cash advances relative to local travels were inadequately supported with the required documentations, contrary to Section 1.2.4.1 of COA Circular No. 2012-001 dated June 14, 2012. Further, DTE claimed for hotel/lodging exceeded the allowed amount by P6,325, contrary to the allowable DTE rate prescribed by

Executive Order No. 77 dated March 15, 2019.

9.10 Section 1.2.4.1 of COA Circular No. 2012-001 dated June 14, 2012 listed the documentary requirements for the liquidation of Traveling Expenses under Local Travel as follows:

- Paper/electronic plane, boat or bus tickets, boarding pass, terminal fee;
- Certificate of appearance/attendance;
- Copy of previously approved itinerary of travel;
- Revised or Supplemental Office Order or any proof supporting the change of schedule;
- Revised Itinerary of Travel, if the previous itinerary was not followed;
- Certification by the Head of Agency as to the absolute necessity of the expenses together with the corresponding bills or receipts, if the expenses incurred for the official travel exceeded the prescribed rate per day (certification or affidavit of loss shall not be considered as an appropriate replacement for the required hotel/lodging bills and receipts);
- Liquidation Report;
- Reimbursement Expense Receipt (RER);
- OR in case of refund of excess cash advance;
- Certificate of Travel Completed; and
- Hotel room/lodging bills with official receipts in the case of official travel to places within 50-kilometer radius from the last city or municipality covered by Metro Manila Area, or the city or municipality where their permanent official station is located in the case of those outside the Metro Manila, if the travel allowances being claimed include the hotel room/lodging rate

9.11 Section 5(b)(i) of Executive Order (EO) No. 77 which took effect on March 15, 2019, provided the maximum allowable DTE of government personnel, regardless of rank and position, presented on Table 26:

Table 26 – Allowable DTE per EO No. 77

	Destination	Maximum DTE
Cluster I	Region I	P1,500
	Region II	
	Region III	
	Region V	
	Region VIII	
	Region IX	
	Region XII	
	Region XIII	
	ARMM	
	Cluster II	
Region VI		
Region VII		
Region X		

	Destination	Maximum DTE
	Region XI	
Cluster III	National Capital Region Region IV-A Region IV-B	P2,200

- 9.12 Apportionment of allowable DTE on EO No. 77 was presented on Section 5(c) as follows:

Table 27 – Apportioned Travel Expenses per EO No. 77

Particulars	Percentage	To Cover
Day of arrival at point of destination (regardless of time) and succeeding day/s thereof on official business	100%	Hotel/lodging (50%), meals (30%), and incidental expenses (20%)
Day of departure for permanent official station (regardless of time) if other than date of arrival	50%	Meals (30%) and incidental expenses (20%)

- 9.13 Non-submission of the following documentations was noted on the post-audit of the liquidation of cash advances relative to local travel. Details are shown in Table 28.

Table 28 – Cash advances on Local Travel with Lacking Supporting Documents

Date	Ref. No.	Date of Liq.	Liq. No.	Amount	Lacking Documents
08/23/2023	430655	09/06/2023	19638	P 8,000	1. Approved Certificate of Travel Completed; 2. Approved Revised Itinerary of Travel, if the previously approved itinerary was not followed; 3. Copy of previously approved Itinerary of travel; 4. Certificate of Appearance or Attendance
10/16/2023	431030	11/15/2023	19722	22,780	1. Approved Certificate of Travel Completed; 2. Approved Revised Itinerary of Travel, if the previously approved itinerary was not followed; 3. Copy of previously approved Itinerary of travel; 4. Certificate of Appearance or Attendance; 5. Paper/electronic boarding passes
11/15/2023	431204	11/24/2023	19735	10,000	1. Approved Certificate of Travel Completed; 2. Approved Revised Itinerary of Travel, if the previously approved itinerary was not followed; 3. Copy of previously approved Itinerary of travel; 4. Certificate of Appearance or Attendance

- 9.14 In addition, re-computation of DTE claims for hotel accommodations revealed that actual claims exceeded the allowable DTE rates by a total of P6,325. Details are shown on Table 29.

Table 29 – Details of Excess DTE claims for Hotel Accommodation

Date	Reference No.	Destination	Date/s of Travel	Allowed DTE	Actual DTE claimed	Excess
08/23/2023	430655	Laoag City	Aug. 25-29, 2023	P 3,000	P 3,600	P 600
11/15/2023	431204	Tagaytay	Nov. 16-17, 2023	3,300	9,025	5,725
Total				P 6,300	P 12,625	P 6,325

- 9.15 Claims for actual hotel accommodations may be allowed only upon issuance of certification by the agency head or his authorized representative as to the absolute necessity of the expenses in the performance of the assignment, together with the corresponding bills or receipts related thereto. However, it was noted that all cash advances that exceeded the prescribed rate for hotel accommodations were not supported by the said certification.
- 9.16 The non-submission of the documentary requirements and excessive claims of DTE for hotel accommodations are inconsistent with the above-stated provisions of COA Circular No. 2012-001 dated June 14, 2012 and EO No. 77 dated March 15, 2019. Thus, casting doubt on the propriety of the subject transactions.
- 9.17 **We recommended that Management:**
- a. **Submit the lacking documentations noted on this observation;**
 - b. **Moving forward, strictly comply with the documentary requirements on the grant and liquidation of cash advances, as prescribed by COA Circular No. 2012-001 dated June 14, 2012 to avoid audit suspensions; and**
 - c. **Strictly comply with the allowed DTE rates prescribed by EO No. 77 dated March 15, 2019 to avoid audit disallowances.**
- 9.18 In compliance with this observation, Management respectfully submitted copies of the following documents in accordance with the audit recommendations:
- a. Office Order, Series of 2024: Guidelines for DTE Claims signed on April 19, 2024; and
 - b. Memorandum from the Office of the Network's President to the concerned employees and Finance Department in compliance with the recommendation to submit the lacking documentary requirements.

- 9.19 Management further commented that all grants and liquidations of cash advances shall strictly comply with the above-mentioned issuances, in concurrence with the provisions prescribed by COA Circular No. 2012-001 dated June 14, 2012, to further avoid the issuance of audit suspensions.
- 9.20 Further, Management submitted additional documents on June 3, 2024 in relation to the lacking documents noted on this observation.
- 9.21 As a rejoinder, the Audit Team acknowledged the initial effort of the Management to implement the audit recommendations, however, the documents submitted to the Audit Team will be subjected for further review and their full compliance with the audit recommendations will be monitored in CY 2024 audit.
- 10. One hundred fifty one (151) officers and employees of IBC-13 did not accomplish and file their Calendar Year 2022 Statements of Assets, Liabilities, and Net Worth, contrary to Civil Service Commission Memorandum Circular No. 10, series of 2006 and the pertinent provisions of Republic Act No. 6713, thereby defeating the objective of promoting transparency in the civil service.**

- 10.1 This is a reiteration of prior year's observation as Management was not able to implement the audit recommendation.
- 10.2 Sections 3 (a & b), 8(a), and 11 of RA No. 6713 dated February 20, 1989 provides that:

Section 3. Definition of Terms. – As used in this Act, the term:

(a) "Government" includes the National Government, the local governments, and all other instrumentalities, agencies or branches of the Republic of the Philippines including government-owned or controlled corporations, and their subsidiaries.

(b) "Public Officials" includes elective and appointive officials and employees, permanent or temporary, whether in the career or non-career service, including military and police personnel, whether or not they received compensation, regardless of amount.

Section 8. Statements and Disclosure.

Public officials and employees have an obligation to accomplish and submit declarations under oath of, and the public has the right to know, their assets, liabilities, net worth and financial and net worth and financial and business interests including those of their spouses and of unmarried children under eighteen (18) years of age living in their households.

(A) Statement of Assets and Liabilities and Financial Disclosure. – All public officials and employees, except those who serve in an honorary capacity, laborers and casual or temporary workers, shall file under oath their Statement of Assets, Liabilities and Net Worth (SALN) and a Disclosure of Business Interests and Financial Connections and those of their spouses and unmarried children under eighteen (18) years of age living in their households. (underscoring ours)

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- 10.3 Also, Civil Service Commission (CSC) Memorandum Circular No. 10, s. 2006, provides the amendments on the guidelines in the filing and submission of SALN as contained in the Rules Implementing the Code of Conduct and Ethical Standards for Public Official and Employees, the Chief/Head of the Personnel/Administrative Division or Unit/Human Resource Management Officer is mandated to transmit all original copies of the SALN received on or before June 30 of every year to the appropriate repository agency.
- 10.4 Despite prior year's audit observation, verification of the documents submitted to the Audit Team showed that out of the 158 officers and employees of IBC-13, 151 or 95.6 per cent had no SALN kept on file nor any document to show that SALNs were in fact submitted to the CSC. Only seven officers were able to submit their respective SALNs for CY 2022.
- 10.5 For submission of SALNs as at December 31, 2023, the Administrative and Human Resource Department issued a Memorandum dated February 6, 2024 addressed to all IBC-13 employees requiring submission of the same. However, the directors, supervisors, and employees who failed to submit the required SALNs for CY 2022 refuse to submit their SALNs for CY 2023 awaiting clarification per letter dated March 25, 2024 on the status of IBC-13 whether it is a Government-Owned and/or Controlled Corporation or a private corporation.
- 10.6 The non-preparation and non-submission of the SALNs is contrary to CSC Memorandum Circular No. 10, series of 2006 and the pertinent provisions of RA No. 6713. Thus, defeating the objective of promoting transparency in the civil service.
- 10.7 **We recommended that Management:**
- a. **Strictly require all its officers and employees to comply with the requirements provided in RA No. 6713 dated February 20, 1989, specifically Sections 3 (a & b) and 8 (a), and impose the prescribed sanctions in cases of non-compliance; and**

b. Thereafter, submit proof to this Office that the SALNs submitted by the officers and employees of the Network were duly received by the CSC.

- 10.8 Management admitted that only seven officers of the IBC-13 were able to submit their SALNs for CY 2022. Members of the IBC-13's two labor unions declined to submit their SALNs pending clarification of their status as government or private sector employees.
- 10.9 For CY 2023, 134 personnel have submitted their SALNs as at April 18, 2024. However, members of the labor union did so with reservations, for the same reason on why they refused to submit their SALNs on CY 2022.
- 10.10 Since its sequestration in 1986, the IBC-13's officers and employees were not provided support as government employees until CY 2020. The IBC-13's employees are still recognized by the DOLE and contribute to the SSS and not the GSIS. They have not been placed under the jurisdiction of the CSC.
- 10.11 The Network sought the guidance of the CSC Office of the Legal Affairs Technical Working Group (TWG) on the submission of SALN in CY 2023 and have acknowledged that the IBC-13's officers and employees have never been obliged to file SALNs.
- 10.12 In the course of the Management's phone discussion with the CSC, the TWG's focal persons agreed that the IBC-13's position is peculiar, but is nevertheless covered by the RA No. 6713.
- 10.13 As submission of SALN is in support of ethics and integrity in government service, and is in no way prejudicial to the terms and conditions of employment of the Network's officers and employees, IBC-13 Management has seen fit to order compliance with the requirement according to law.
- 10.14 As a rejoinder, the Audit Team acknowledged the actions taken and the commitment by the Network to address the recommendations, however, their full compliance with the audit recommendations will be monitored in CY 2024 audit.
- 10.15 The Audit Team received the transmittal of IBC-13 for the submission of SALN to the CSC on May 29, 2024.

GENDER AND DEVELOPMENT

11. **IBC-13 was unable to allot at least five percent of its total budget to Gender and Development (GAD)-related Programs, Activities, and Projects (PAPs) nor prepare its Calendar Year 2023 GAD Plan and Budget, contrary to Section 2.3 of the Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management Joint Circular No. 2012-01, thus, gender may not have been mainstreamed in the**

PAPs of the agency. Moreover, the Network has yet to develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered, contrary to Section 4.4 of the same Joint Circular.

11.1 This is a reiteration of prior year's audit observation with updates as Management was not able to implement the recommendation.

11.2 The Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management of Budget and Management (PCW-NEDA-DBM) issued Joint Circular No. 2012-01 to provide the guidelines for the preparation of the annual GAD Plans and Budget (GPB) and Accomplishment Reports to implement the Magna Carta of Women.

11.3 Section 2.3 of PCW-NEDA-DBM Joint Circular No. 2012-01 states that:

Pursuant to the Magna Carta for Women (MCW) and the General Appropriation Act (GAA), all government department, including their attached agencies, offices, bureaus, state universities and colleges (SUC), government-owned and controlled corporations (GOCCs), local government units, (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs and projects, the cost of implementation of which shall be at least five percent (5%) of their total budget.

11.4 The Audit Team noted that the IBC-13 did not allot at least five percent of its total budget to GAD-related PAPs nor prepare its CY 2023 GPB contrary to the above-stated provision of PCW-NEDA-DBM Joint Circular No. 2012-01. Thus, gender may not have been mainstreamed in the PAPs of the agency.

11.5 Following Audit Query Memorandum No. 2024-002 dated January 19, 2024 sent by the Audit Team relative to the preparation and submission of the annual GPB to the PCW for review and endorsement, Management responded on their letter-reply dated January 22, 2024 that IBC-13's GPB for CY 2023 did not meet the deadline for the preparation and submission to the PCW because the first ever workshop on GAD was held late in December 2022 which did not give time for planning, budget preparation, and timely submission.

11.6 In addition, Sections 4.0 and 4.4 of the above-mentioned Joint Circular provides:

4.0 ESSENTIAL ELEMENTS IN GAD PLANNING AND BUDGETING

The following are essential elements in GAD planning and budgeting as they enable agencies to more effectively plan and implement their sectoral programs on GAD. If these are not present or need to be strengthened, agencies shall include them in their GPBs.

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4.4 Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.

- 11.7 Audit disclosed that the Network has yet to develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data. Inquiry with the GFPS Chairperson revealed that they are unaware on the requirement to develop the said GAD database. Non-development of the required GAD database constitutes non-compliance with the aforementioned joint circular.
- 11.8 **We reiterated our prior year's recommendation that Management strictly comply with the requirement to allot at least five per cent of its total budget to GAD-related PAPs and submit its prepared annual GPB to the PCW for endorsement in compliance with the above-mentioned joint circular.**
- 11.9 **We further recommended that Management fast track the creation of the GAD Database/sex-disaggregated data which can be used as inputs for planning, budgeting, programming, and policy formulation.**
- 11.10 IBC-13 Management submitted a GAD database/sex-disaggregated data gathered from IBC-13 employees for CY 2024. The said report will be used as reference for inputs for planning, budgeting, programming, and policy formulation.
- 11.11 As a rejoinder, the Audit Team acknowledged the actions taken and the commitment by the Network to address the recommendation. The pertinent submittals of the Management shall be reviewed by the Audit Team.

COMPLIANCE WITH SOCIAL SECURITY SYSTEM, PHILIPPINE HEALTH INSURANCE CORPORATION AND HOME DEVELOPMENT MUTUAL FUND

- 12. IBC-13 consistently collected from its officers and employees SSS, PhilHealth and Pag-IBIG premiums and remitted the same within the prescribed period.

COMPLIANCE WITH TAX LAWS

13. IBC-13 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 BIR within the reglementary period for CY 2023.

COMPLIANCE WITH PROPERTY INSURANCE LAW

14. Verification of documents pertaining to the IBC-13's insurable properties showed that buildings and equipment were insured with the Government Service Insurance System per Policy No. FI-NM-GSISHO-0044370 for the periods covering January 2, 2023 to January 2, 2024, in compliance with RA No. 656, otherwise known as the "Property Insurance Law," as amended by the PD No. 245 dated July 13, 1973.

SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

15. 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 on Table 30.

Table 30 – Unsettled Notice of Disallowance (ND) and Notices of Suspension (NS)

ND/NS No.	Particulars	Amount	Remarks/Status
ND#2022-01(21)	Payments for the procurement of: (1) Supply, Delivery, Installation, Testing, and Commissioning of ENG Cameras and Editing Equipment for IBC-13 News Department; and (2) Supply, Delivery, Installation, Testing, and Commissioning Project: New Studio Upgrade of IBC-13.	P 361,615.68	Under appeal
ND#2022-02(21)	Payments for the procurement of Supply and Delivery of Playout System for IBC-13 News Department	1,576,049.99	Under appeal
ND#2016-001(16)	Payment of Cost of Living Allowance to IBC-13 officers	383,111.09	Under appeal
Total NDs		P 2,320,776.76	
NS#2020-001(18)	Payment of gasoline allowance without legal basis	P 747,420.00	For issuance of ND
NS#2020-002(18)	Payment of RATA without legal basis	2,069,945.78	-do-
Total NSs		P 2,817,365.78	