

EXECUTIVE SUMMARY

INTRODUCTION

The Intercontinental Broadcasting Corporation (IBC-13) was originally incorporated as the Continental Broadcasting Corporation (CBC) under Securities and Exchange Commission Registration No. 4118 dated May 11, 1970. The Articles of Incorporation was amended on September 30, 1974, renaming CBC to IBC-13, with the same set of stockholders and subscribers to its capital stock. The IBC-13 studios are located at Broadcast City, Capitol Hills, Diliman, Quezon City, while its transmitter is situated at #125 St. Peter Street Nuestra Señora de la Paz Subdivision, Barangay, Sta. Cruz, Antipolo City.

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

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

DWAN 1206 AM has rich history dating back to 1973 when it was established as DWWA under the Banahaw Broadcasting Corporation. In 1978, it moved to the 1206 kHz frequency following the adoption of the 9 kHz spacing on AM radio stations in the Philippines. In 1984, it changed its call letters to DWAN, which stands for D' WAN (pronounced "the one"). The station has undergone several name changes over the years, including D' Wan, IBC Broadcast Patrol, Islands Galing Broadcaster, and MMDA Traffic Radio. After a period of dormancy, the station was relaunched in June 2024 with a new branding and programming lineup. Under the leadership of the IBC President and Chief Executive Officer (CEO) Jose "Jimmie" C. Policarpio, Jr. and Station Manager Marc Logan, DWAN 1206 AM has introduced a dynamic programming lineup that includes news, talk shows, music and podcasts.

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

The primary purposes of the corporation are to carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio, television and/or telecommunication stations on a commercial and/or sustaining basis in any part of

the Philippines, and to deal in the manufacture and distribution of radio, television and other electronic components and/or parts thereof.

As at December 31, 2024, the Board of Directors was composed of Mr. Noel M. Malaya, Chairman; Mr. Jose C. Policarpio, Jr., President and CEO; Ms. Jennifer G. Jurado, Member; Ms. Catherina D. Vilar, Member; Mr. Alexis A. Suarez, Member; Mr. Miguel G. Damaso, Member; and Mr. Roberto R. Ferrer, Member.

To date, the IBC-13 has only one TV and one radio station on air, the IBC-13 Manila and DWAN 1206 AM radio.

As at December 31, 2024, the IBC-13 had 239 personnel complement for Central Office and provincial stations consisting of the following:

President and CEO	1
General Manager	1
Managers	7
Project Officer	1
Directors	11
Supervisors	25
Co-Terminus	4
Rank and file	74
Total Regular	<u>124</u>
Probationary	16
Contractual	4
Total Non-Regular	<u>20</u>
Talent	62
Retainer	2
Contract of Service	31
Total Contract of Service	<u>95</u>

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

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. COMPARATIVE FINANCIAL POSITION

	2024	2023	Increase (Decrease)
Assets	597,366,629	510,865,755	86,500,874
Liabilities	696,994,407	1,114,270,311	(417,275,904)
Capital deficiency	(99,627,778)	(603,404,556)	503,776,778

II. COMPARATIVE FINANCIAL PERFORMANCE

	2024	2023	Increase (Decrease)
Revenue	29,988,692	32,226,950	(2,238,258)
Subsidy	741,035,000	187,899,000	553,136,000
Grants and donations	-	2,833,844	(2,833,844)
Current operating expenses	(235,481,176)	(214,460,666)	(21,020,510)
Non-operating income	7,046,126	704,921	6,341,205
Net surplus	542,588,642	9,204,049	533,384,593

III. CY 2024 BUDGET AND ACTUAL AMOUNTS

	Budget	Actual	Variance
Personnel services	629,920,318	583,190,153	46,730,165
Maintenance and other operating expenses	83,708,139	77,923,188	5,784,951
Financial and non-cash expenses	-	20,526,707	(20,526,707)
Capital expenditures	523,648,000	66,178,371	457,469,629
	1,237,276,457	747,818,419	489,458,038

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts, transactions and operations of the IBC-13 for CY 2024 in accordance with International Standards of Supreme Audit Institutions. It was aimed to express an opinion on the fairness of presentation of the IBC-13's financial position, financial performance and cash flows in accordance with the International Public Sector Accounting Standards (IPSASs) and, to determine whether the Network's compliance to pertinent laws, rules and regulations, and adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the IBC-13 for the years ended December 31, 2024 and 2023, in view of the following:

1. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account, with a carrying amount of P294.167 million as at December 31, 2024, could not be established due to: (a) a variance of P18.684 million between the balance per books and the Report on the Physical Count of PPE (RPCPPE), not in accordance with Paragraph 27 of IPSAS 1; and (b) the recorded revaluation increment of land and buildings under the Revaluation Surplus account amounting to P422.186 million as at December 31, 2024 remained unadjusted, not in accordance with the Philippine Application Guidance No. 2 of IPSAS 17.

2. The faithful representation in the financial statements of the balance of the Receivables account, with a carrying amount of P112.504 million as at December 31, 2024, could not be ascertained due to: (a) non-maintenance of Subsidiary Ledgers (SL) and unavailability of supporting documents for the recorded receivables aggregating P330.113 million; (b) a variance of P66.888 million between the balance per books and the confirmed balance; (c) existence of negative balances in the total amount of P17.540 million; and (d) non-updating of the Allowance for impairment on Other Receivables accounts as at year-end, which are not in accordance with Paragraphs 27 and 48 of IPSAS 1 and Paragraph 67 of IPSAS 29.
3. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account amounting to P107.216 million as at December 31, 2024, could not be ascertained due to: (a) inclusion of a non-existing bank account with a reported balance of P8.994 million; and (2) the presence of negative balance of P4.917 million in the Cash Collecting Officer account, mainly resulting from the unreconciled prior years' variances between the said account per General Ledger (GL) maintained by the Accounting Section (AS) vis-à-vis the Monthly Cashier's Report (MCR) prepared by the Treasury Section, contrary to Paragraph 27 of IPSAS 1.
4. The fair presentation of the Tax Withheld at Source account, with a reported balance of P17.930 million as at December 31, 2024 could not be established due to the unavailability of the Certificates of Creditable Tax Withheld (CTW) at Source supporting taxes totaling P17.881 million, contrary to Paragraph 27 of IPSAS 1.

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

- 1.1. Direct the Asset and Property Management Office (APMO) to ensure the completion of the annual physical inventory count of PPE, the preparation of an updated RPCPPE, and the submission of a copy thereof to the Audit Team for review and evaluation;
- 1.2. Direct the AS and APMO to determine the cause(s) of the variances noted between the accounting records and the RPCPPE, and effect the necessary adjustments to the affected records;
- 1.3. Develop a comprehensive Reconciliation Plan to address the noted variance between the accounting records and the RPCPPE, which shall include specific activities, the responsible office, and clearly defined timelines;
- 1.4. Pending guidance from the Government Accountancy Sector (GAS) concerning the recorded Revaluation Surplus account, exert diligent efforts to locate all relevant documents supporting said account;
- 1.5. Initiate appropriate actions to comply with the requirements of COA Circular No. 2020-006 dated January 31, 2020, to avail of the one-time cleansing of PPE;
- 1.6. Direct the Disposal Committee to facilitate immediate disposal of the unserviceable properties;

2.1. Direct the AS to:

- a. Maintain SLs for the Network's clients to facilitate effective monitoring of receivables, and exert diligent efforts to locate the supporting documents for the recorded Receivables account totaling P330.113 million;
- b. Exert diligent efforts to locate supporting documents that would establish the validity of the receivable amounting to P459,052; thereafter, if warranted, make the necessary adjusting entries to derecognize the same from the books;
- c. Analyze the cause(s) of the negative balances and make the necessary adjusting entries to correct the accounts;
- d. Assess the adequacy and appropriateness of the Allowance for Impairment on Other Receivables accounts, and make the necessary adjusting entries, if warranted; and
- e. Fast track the completion of the required documentation and resubmit the Request for Authority to Write-off Dormant Accounts to COA for consideration;

3.1. Direct the Finance Division (FD) to require the AS to:

- a. Assess the propriety of derecognizing the non-existing bank account, taking into consideration the opinion of the COA-GAS. Afterwards, effect the necessary adjusting entries and disclosures, if warranted;
- b. Determine the nature of, 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 account per GL and the corresponding balances per MCR;
- c. Submit supporting documents for the credit card expenses in the total amount of P395,995; and
- d. Develop and implement written guidelines on the use of credit cards to ensure adequate safeguards against misuse and misappropriation; and

4.1. Direct the FD to:

- a. Analyze the beginning balance of the Tax Withheld at Source account and prepare the necessary adjustment to reflect its accurate balance;
- b. Closely coordinate with the Bureau of Internal Revenue (BIR) to confirm whether the balances of the Tax Withheld at Source account, particularly those pertaining to prior years, may still be revalidated and applied as tax credit;
- c. Following BIR confirmation, assess the propriety of derecognizing the CTW without the required BIR forms;

- d. Demand from the concerned IBC-13 clients to submit copies of BIR Form No. 2307; and
- e. Ensure, moving forward, that copies of BIR Form No. 2307 are secured for all collections of the Network.

OTHER SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATION

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

- 5. Inefficient utilization of land and building of the IBC-13 Iloilo Station resulted in the abandonment of the area, leaving assets unprotected, posing an immediate risk, and potentially leading to more significant issues in the future, contrary to Section 2 of Presidential Decree No. 1445.
- 5.1 We recommended that Management take immediate action to protect the properties from informal settlers and include them in the Long-Term Agency Action Plan to ensure the efficient management of government resources. Otherwise, if the Network has no plans to utilize the subject assets, Management should consider the propriety of their disposal.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Based on the Statement of Audit Suspensions, Disallowances and Charges issued as at December 31, 2024, the unsettled audit disallowance and suspensions amounted to P2.321 million and P2.817 million, respectively. Details are shown in Table 31, Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 39 audit recommendations embodied in the prior year's Annual Audit Report, 16 were fully implemented and 23 were not implemented. Details are shown in Part III of this Report.